BULGARGAZ EAD

ANNUAL ACTIVITY REPORT
STATEMENT OF CORPORATE GOVERNANCE
ANNUAL FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

31 DECEMBER 2025

CONTENTS

	PAGE
ANNUAL ACTIVITY REPORT	-
STATEMENT OF CORPORATE GOVERNANCE	-
ANNUAL FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASH FLOWS	4
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	5—70

ACTIVITY REPORT

of

BULGARGAZ EAD

as at 31 December 2025

This report on Bulgargaz EAD's operations as at 31 December 2025 presents a comment and analysis of the financial statements and other material information regarding the financial position of the Company's operations, including and comparing the results as at 31 December 2025 with the results as at 31 December 2024.

The report has been prepared in accordance with the requirements of Article 39 of the Accounting Act, Article 187e, Article 247, paragraphs 1, 2 and 3 of the Commercial Act, and Article 100(n), paragraph 7, subparagraph 2 of the Public Offering of Securities Act.

I. GENERAL INFORMATION ABOUT THE COMPANY

Bulgargaz EAD is a sole owner joint stock company, registered in accordance with the Commerce Act with registered office and address of management in the Republic of Bulgaria, Sofia region, Sofia Capital Municipality, Serdika district, Sofia 1000, 47 Petar Parchevich St.

The registered capital is divided into 231,698,584 ordinary, registered, non-preference shares with voting rights with a nominal value of BGN 1 (one) each. The Company's capital is subscribed and fully paid up by the sole owner of the capital — Bulgarian Energy Holding EAD. The ownership rights of the State, as the sole owner of the capital of Bulgarian Energy Holding EAD, shall be exercised by the Minister of Energy.

The company is active in public supply of natural gas and trade in natural gas, as well as the related purchase and sale, purchase of natural gas for storage in a gas storage facility, market research and analysis of the natural gas market in the country.

Bulgargaz EAD holds a licence for public supply of natural gas on the territory of the country issued by the State Energy and Water Regulatory Commission (EWRC) on 29 November 2006 for a period of 35 years.

Pursuant to Article 21, paragraph 1, item 1 and in connection with Article 39, paragraph 1, item 5, second proposal of the Energy Act, with a decision of the Energy and Water Regulatory Commission (EWRC) dated 16 September 2021, No Л-548-15 [L-548-15] a licence for trade in natural gas No A0435 for a period of 10 years is issued to Bulgargaz EAD.

The Company also holds a licence for trading in natural gas in the territory of the Hellenic Republic under Decision No 247/2020 and Decision No 311/2022 for trading in natural gas in the territory of the Hellenic Republic for a period of 20 years.

On 20 June 2023, by Decision No 0024/2023/P-PE of the Vice President of the Regulatory Office for Network Industries, Slovak Republic, a Permit No 2023P 0370 was issued to Bulgargaz EAD for carrying out activities in the energy sector — gas supply. The validity period of the permit is indefinite.

By Decision No 2274/29 October 2024 of the President of the National Agency for Energy and Water Regulation (ANRE), Bulgargaz EAD was confirmed the right to participate in the natural gas markets in Romania for the supply of natural gas activity. The decision was for a period of 1 (one) year. From April 2025, Bulgargaz EAD performs sales of quantities of natural gas to the Romanian gas stock exchange. By Decisions No 2079 of 30 September 2025 and No 2309 of 4 November 2025 of the President of the National Agency for Energy and Water Regulation (ANRE), the right of Bulgargaz EAD to participate in the natural gas markets in Romania has been extended until 29 October 2030.

On 12 December 2024 by Decision No H4955/2024 the Hungarian Energy and Public Utility Regulatory Authority granted Bulgargaz EAD a licence to trade in natural gas in Hungary. This licence shall be valid from the date of notification for an indefinite period of time, provided that the licence holder is actually and lawfully carrying on gas trading activities in a Member State of the European Union or in another State party to the Agreement on the European Economic Area and holds an operating licence for a specified period of time. From 4 September 2025, Bulgargaz EAD is a registered participant also on the Hungarian gas exchange CEEGEX.

In June 2025, Bulgargaz EAD registered its subsidiary under the name Bulgargaz North, through which it will perform the activity of trade in natural gas in the territory of Moldova. On 19 August 2025, by a Resolution of the Regulator of the Republic of Moldova, Bulgargaz North obtained a licence for trade in the Republic of Moldova. In July 2025, Bulgargaz EAD entered into a standardised supply contract (EFET agreement) with the Moldovan company Energocom S.A. The purpose of the concluded contract is the access and the provision of a possibility for participation of Bulgargaz EAD in the tenders organized by Energocom S.A , financed either through the borrowing granted to them by the EBRD for the purchase of natural gas or through their own funds.

On 24 July 2025, Bulgargaz EAD entered into a framework EFET agreement also with the state company Naftogaz Ukraine, which also enables Bulgargaz to participate in the tenders organised by them. These tenders are organised with delivery points at the exit points of the gas transmission networks of countries neighbouring Ukraine. Following participation in several tenders, it was found that transmission costs of Bulgargaz to such points significantly exceed those of other companies located in the immediate vicinity of Ukraine, and that prices of Bulgargaz are not competitive. In addition, with a view to sales in Romania, Moldova and Ukraine, Bulgargaz has reserved annual capacities on these routes, which also proved to be uncompetitive following the adoption of decisions by several regulatory authorities (Greece, Bulgaria, Romania, Moldova and Ukraine) to announce route products (capacities) from the Greece virtual trading point to Ukraine at a significant discount compared to the approved standard capacity products.

Bulgargaz EAD is a registered user of the gas transmission networks of Bulgartransgaz EAD-Bulgaria, ICGB Bulgaria, DESFA SA-Greece, TRANSGAZ SA-Romania, GASTRANS d.o.o. — Serbian , FGSZ Hungary, Gas Transmission System Operator of Ukraine — Ukraine:

The main European and national regulations applicable to the Company's activities are as follows:

- Energy Act (EA), promulgated in SG, issue No 107 of 09 December 2003, amend. No 47 of 10 June 2025, effective from 10 June 2025; issue No 67 of 15 August 2025;
- Ordinance No 2 of 19 March 2013 on Natural Gas Price Regulation, issued by the State Energy and Water Regulatory Commission, promulg. State Gazette, Issue No 33 of 5 April 2013, amended and supplemented, No 100 of 26 November 2024, in force from 26 November 2024 (Ordinance 2 of 19 March 2013);
- Ordinance No 3 of 21 March 2013 on Licensing the Activities in the Energy Sector, issued by the President of the State Energy and Water Regulatory Commission, promulgated by the State Gazette, No 33 of 05 April 2013, amend. No 52 of 27 June 2025, in force from 1 July 2025 (Ordinance No 3 of 21 March 2013);
- Rules for trading with natural gas, adopted by the EWRC by decision under Minutes No 137 of 07 July 2015 under item 1, promulg. SG, No 59 of 04 August 2015, amend. No 57 of 19 July 2019;
- Energy Efficiency Act (EEA), promulgated in SG, issue No 35 of 15 May 2015, effective as at 15 May 2015, last amended and supplemented, No 47 of 10 June 2025, effective from 10 June 2025;
- Ordinance No E-РД-04-3 [E-RD-04-3] of 4 May 2016 on the eligible measures for energy savings in final consumption, the ways of proving the achieved energy savings, the requirements to the methods for their assessment and the ways of their confirmation, promulgated in SG No 38 of 20 May 2016, effective as at 20 May 2016, last amended and supplemented, No 102 of 23 December 2022;
- Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC; Regulation (EU) No 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010;

- Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas;
- Council Regulation (EU) 2022/2578 of 22 December 2022 establishing a market correction mechanism to protect Union citizens and the economy against excessively high prices;
- Council Regulation (EU) 2022/2576 of 19 December 2022 on enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders;
- Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005;
- Commission Regulation (EU) No 312/2014 of 26 March 2014establishing a Network Code on Gas Balancing of Transmission Networks;
- Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013.

The company has not carried out any activities in the field of research and development.

The company has no registered branches.

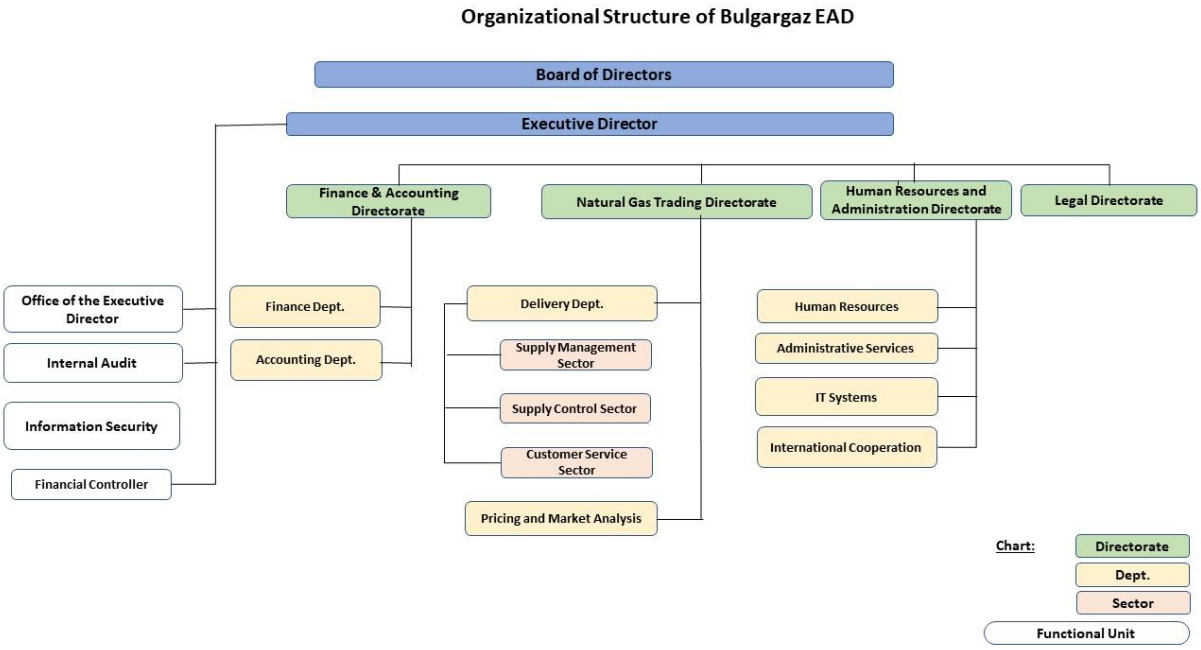
1. STRUCTURE OF THE COMPANY

Bulgargaz EAD has a one-tier management system. The governing bodies of the Company are:

- The sole owner of the capital who decides on the issues within the competence of the General Meeting;
- Board of Directors.

On 17 April 2024 by Decision No 41-2024/17 April 2024 of the Board of Directors of Bulgarian Energy Holding EAD the following new members of the Board of Directors of Bulgargaz EAD were elected:

Ivan Dimitrov Topchiysky	Chairman and member of the Board of Directors
Veselin Sashev Sinabov	Member of the Board of Directors and Executive Director
Mihail Mariov Milkov	Member of the Board of Directors
Byanka Svetlozar Racheva	Member of the Board of Directors
Marin Asenov Filipovski	Member of the Board of Directors



2. RESPONSIBILITY OF MANAGEMENT

Management confirms that consistent accounting policies have been applied in the preparation of the annual financial statements as at 31 December 2025 in accordance with the applicable accounting standards and regulatory requirements. The financial statements have been prepared on a going concern principle, whereby management considers that the Company will continue its operations in the foreseeable future.

The management is responsible for ensuring that the accounting records are kept correctly and in accordance with the law, for ensuring a reliable system of internal control, and for the safekeeping and effective management of the company's assets.

Based on the information available at the date of preparation of the financial statements, management considers that the going concern assumption is appropriate and justified, and that the Company will continue to carry on its business for the foreseeable future with no intention or need to cease trading, go into liquidation or significantly curtail its operations.

3. INFORMATION ON ACQUISITION AND HOLDING OF SHARES OF THE COMPANY BY THE MEMBERS OF THE BOARD OF DIRECTORS

The Company does not possess own shares.

The members of the Board of Directors do not own shares of the Company. They are not provided with privileges or exclusive rights to acquire shares and bonds of the Company. All shares are owned by Bulgarian Energy Holding EAD.

Information on the participation of the members of the Board of Directors in companies as unlimited partners, the ownership of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives such as procurators or board members (in compliance with the requirements of Article 247, paragraph 2, item 4 of the Commerce Act):

Veselin Sashev Sinabov — Executive Director and Member of the Board of Directors since 17 April 2024

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;
- participates in the management of Bulgargaz North as a manager.

Ivan Dimitrov Topchiysky — Chairman and Member of the Board of Directors since 17 April 2024:

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;
- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

Marin Asenov Filipovski — Member of the Board of Directors since 17 April 2024:

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;
- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

Byanka Svetlozar Racheva — Member of the Board of Directors since 17 April 2024:

- does not participate as a general partner in business companies;
- owns more than 25 percent of the capital of Skills Bridge Ltd;
- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

Mihail Mariov Milkov — Member of the Board of Directors since 17 April 2024:

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;
- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

4. INFORMATION ABOUT THE CONTRACTS UNDER ARTICLE 240B OF THE COMMERCE ACT CONCLUDED DURING THE YEAR

As at 31 December 2025, the Board of Directors or other related persons have not concluded contracts under Article 240B of the Commerce Act on behalf of the Company, which go beyond its usual activities or significantly deviate from market conditions.

II. RESULTS FROM THE ACTIVITY OF THE COMPANY AS AT 31 December 2025

As at 31 December 2025, Bulgargaz EAD carries out its activities in compliance with all regulations and decisions determined by the sole owner of the capital. As at 31 December 2025 the financial result of the Company is a loss of BGN 267,217 thousand (as at 31 December 2024: loss in the amount of BGN 315,889 thousand) The loss is mostly due to the costs for unused capacity under the Agreement with the Turkish gas company Botaş (BGN 250,458 thousand), for unused capacity for regasification and transmission along the route from the Alexandroupolis terminal (BGN 34,731 thousand) as well as interest expenses incurred to cover the liquidity shortfall resulting from the non-payment by Toplofikacia Sofia EAD amounting to BGN 50 million.

The gross result from the sale of natural gas as at 31 December 2025 is a profit amounting to BGN 60,006 thousand (as at 31 December 2024, profit amounting to BGN 118,951 thousand). The higher profit for 2024 is attributable to reimbursements received for volumes extracted from the UGS Chiren through the application of the compensation mechanism under the Program for providing compensation to companies that injected natural gas into the underground gas storage in the period 1 May 2022—11 October 2022, which amounted to approximately BGN 157 million.

1. FACTORS AFFECTING THE ACTIVITY OF THE COMPANY

➢ ***Legal and regulatory framework***

The activity of Bulgargaz EAD being public supply of natural gas and trade in natural gas is regulated by the Energy Act and the statutory regulations. Ordinance No 2 of 19 March 2013 determines the procedure for submission and approval of the regulated price used in sales on a regulated market. Prices in a free market are set on a market basis.

Bulgargaz EAD, as a public supplier, sells natural gas at regulated prices only to:

(i) end suppliers of natural gas;

(ii) persons who have been issued a licence for the production and transmission of heat.

By an Act for Amendment and Supplement of the Energy Act (AAS of the Energy Act) adopted on 25 September 2019 by the National Assembly and promulgated in State Gazette No 79 of 2019 it was established an organized stock market for natural gas, and its operation and the role of market participants thereon has been regulated.

From 16 September 2021, Bulgargaz EAD acquired licence No A0435 for trading in natural gas, for a period of 10 years, which allows expanding the scope of the Company's activities by making sales at freely negotiated prices in the conditions of a liberalized domestic market and the newly built interconnections at regional and international level.

Following the amendments in the legislation, Bulgargaz EAD operates as follows:

- at prices regulated by the EWRC — on a regulated market;
- at freely negotiated prices — on the free market under the following varieties:
  - contracts with customers directly connected to the gas transmission system;
  - an organized stock market (in the country and in countries where the company has a 'Trading Licence');
  - organized stock market (on the domestic market and on the international markets);
  - sale of services (SWAP operations, secondary market of capacity products and others);

Since 26 May 2023, pursuant to the licence for trading in the Hellenic Republic, Bulgargaz trades natural gas on the Greek Energy Exchange (ENEX) after registering and opening a clearing account at the National Bank of Greece.

Furthermore, Bulgargaz EAD holds authorisations and licences to trade in natural gas in the following countries:

- In the Slovak Republic, permit No 2023P 0370 dated 20 June 2023 issued by the Regulatory Office for Network Industries, authorising the company to carry out activities in the energy sector — gas supply. The validity period of the permit is indefinite.

- In the Republic of Romania, Decision No 2274 of 29 October 2024 of the National Agency for Energy and Water Regulation (ANRE), granting Bulgargaz EAD the right to participate in the natural gas markets for a period of one year, for the purpose of carrying out natural gas supply activities. As at November 2025, the decision had been extended until 29 October 2030.

- In the Republic of Hungary, Decision No H4955/2024 of the Hungarian Energy and Public Utilities Regulatory Authority, granting a licence to Bulgargaz EAD to trade in natural gas in Hungary. From 4 September 2025, Bulgargaz EAD is a registered participant also on the Hungarian gas exchange CEEGEX.

In June 2025, Bulgargaz EAD registered its subsidiary under the name Bulgargaz North, through which it will perform the activity of trade in natural gas in the territory of Moldova. In August 2025, Bulgargaz North was granted a trading licence in the Republic of Moldova. At the same time Bulgargaz EAD entered into an contract with the Moldavian company Energocom S.A. for the supply and reception of natural gas, which allowed Bulgargaz EAD to participate in the tenders organised by the Moldavian company for the supply and reception of natural gas.

Counted from 1 January 2025, the transit contract for transmission of Russian natural gas through Ukraine to Europe expired. Almost one third of the Russian gas sold in Europe was transported across the territory of Ukraine. As a result, Ukraine, as well as other European countries suffer serious economic, social and geopolitical consequences. The solution of the arisen energy crisis in combination with the presence of a booked capacity for access to the Greek and Turkish terminals and on the part of Bulgargaz, is a potential business opportunity to expand Bulgargaz' activity through its entry into the Ukrainian market. On 24 July 2025, Bulgargaz EAD entered into a framework EFET agreement also with the state company Naftogaz Ukraine, which also enables Bulgargaz to participate in the tenders organised by them.

Ordinance No 2/19 March 2013 on the regulation of the price of natural gas sets out the rules under which Bulgargaz EAD as a public supplier shall prepare and submit for approval to the EWRC the estimates for determining the regulated price for the month.

- Pursuant to Ordinance No 2 on the Regulation of the Natural Gas Price, Bulgargaz EAD should form a 'mix' of supplies of natural gas quantities, in accordance with the principle of **least cost in the formation of the price of natural gas at the input of the gas transmission networks**, to cover the needs of the regulated and free market. In compliance with this requirement of the ordinance, supplies with the highest delivery prices remain for sale on the exchange market or for injection into the gas storage facility at UGS Chiren. These injected quantities are included in the mix determining the regulated price when they are withdrawn from storage during the winter months and only then can the company recover its costs of purchasing them. With the significant dynamics in natural gas prices that characterised 2022, the company injected the high priced volumes into the UGS Chiren and during the withdrawal period these volumes were already at uncompetitive price levels. As at 01 January 2023, the Company changed the model of formation of the acquisition price of natural gas, applying the principle of formation of the cost of natural gas in two stages — specific-delivery price and formation of the weighted average cost by sales markets. The purpose of this change is to align the costing model to the maximum extent possible with the statutory pricing methodology for the regulated market and to reflect the effect on the Company's sales in other markets, subject to compliance with the regulatory requirements of Ordinance No 2.
- In addition to the price determined above, a 'public supply' component is calculated, set at a maximum of 2.5% per annum. This component is calculated on the basis of the Company's notional fixed costs for the year forecasted as at 01 January 2024. The component does not include financial expenses for foreign exchange transactions, expenses on issued guarantees, etc.
- An average exchange rate is used from the quotations, which is calculated as an average rate of the quotations of the Bulgarian National Bank for the month preceding the month of filing of the application, after the adopted change in the Ordinance in the end of 2024. Bulgargaz EAD shall submit an application for price approval 20 days before the end of the month preceding the month of price application, while final invoices from suppliers shall be received after the end of the supply month. The actual exchange rate at which the supply is paid deviates significantly from that used in the calculation of the price submitted for approval by the Energy and Water Regulatory Commission.

The presented legal and regulatory framework under which Bulgargaz EAD operates on the market leads to some negative effects on the company's activity:

- The Energy Act obliges Bulgargaz EAD to supply natural gas to the heating and gas distribution companies, but they are not obliged to purchase gas from Bulgargaz EAD and may prefer other suppliers, as they may also purchase gas from the gas exchange. When the exchange price is lower than the regulated price, excesses are formed and when the exchange price is higher than the regulated price — up to overcharging customers against their monthly orders.
- The Energy Act obliges Bulgargaz EAD to provide a service of public interest, which cannot be denied, regardless of when it is requested and whether the customer in question has obligations overdue to the public supplier Bulgargaz. This leads to inability to plan the supplies, respectively to additional financial burdens for the company.
- The implementation of Ordinance No 2 of 19 March 2013, with its stipulated requirements, that the quantities with the lowest delivery costs shall be directed to the market at regulated prices. The quantities with the highest delivery price — which is often uncompetitive on the market — remain available for sale at freely negotiated prices on the exchange market, with Bulgargaz EAD acting as the trader.
- The announcement of the regulated price 20 days before the beginning of the respective month leads to misleading the market due to the volatility of the pricing indices, as well as to advantages for competing suppliers offering alternative supplies at a discount to the price announced by Bulgargaz.

➢ ***Operational activity***

The development of the natural gas market in 2025 will continue to follow the trend that began in 2022 of an increase in the share of LNG supplies, in view of the reduced supplies of pipeline gas from Russia to Europe.

From the beginning of 2025, there was a trend of high natural gas prices on European gas markets due to:

- The depletion of the gas storage facilities at higher a speed;
- The relatively cold winter;

The prices at which Bulgargaz EAD supplies natural gas in 2025 refer to the TTF index ‘month ahead’ when purchasing spot LNG cargoes, while the supplies from the Azerbaijani company are made under the terms of the contract signed in 2013.

✓ *Supply of pipeline natural gas*

Bulgargaz receives supplies of pipeline natural gas under the 2013 contract with the Azerbaijan Gas Company, under the terms of equal daily supplies and the ‘take or pay’ clause. The long-term contract for the supply of natural gas defines the delivery point as the interconnection point between TAP and the interconnector Greece — Bulgaria (IGB) — Komotini, Greece.

✓ *Supply of LNG*

In 2022, as a result of the changed geopolitical situation and the premature termination of supplies from OOO Gazprom Export, Bulgargaz EAD changed its business model from supplying under a long-term pipeline gas contract, to supplying under LNG and Azeri pipeline gas purchase contracts, with equal supplies, i.e. without flexibility and application of a take or pay clause.

✓ *Diversification of supply routes*

Bulgargaz EAD shall supply liquefied natural gas within the reserved regasification slots at the Alexandroupolis terminal and in accordance with a signed agreement with BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş. for regasification, storage and subsequent transmission to the Bulgarian border. The agreement between Bulgargaz EAD and BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş. should not be classified as an onerous contract within the meaning of the applicable accounting standards and, accordingly, no provision should be recognised, for the following reasons:

- The agreement was concluded with the primary aim of diversifying the sources and routes for natural gas supplies, thereby creating the conditions to enhance security of supply and reduce dependence on geopolitical factors and risks.
- Ensuring the continuity and reliability of supply to Bulgarian consumers is in the public interest and is of strategic importance to the country's energy security. In this sense, the agreement has a significantly broader social and economic impact that goes beyond its purely commercial dimensions.
- The subject of the agreement is the provision of infrastructure and related services, not the supply of natural gas. The remuneration under this scheme should be considered in the context of the full package of rights and services provided, including the option for flexible acceptance of quantities, their storage and carry-over for use in subsequent periods.

A comparative analysis of similar agreements shows that, in most cases, such services are not included in the basic contract package but are agreed separately in return for an additional fee. This results in additional transaction costs, as well as price risks associated with the transfer of quantities between different periods. Consequently, the value of these services is usually reflected in the price of individual transactions and should be taken into account when assessing the economic benefits of the agreement.

Account should also be taken of the significant volatility in natural gas prices on European and global markets, driven by ongoing geopolitical uncertainty. At the time the agreement was concluded, the agreed service charge represented a relatively small proportion of the price of natural gas and was comparable to the prices of similar services in the region, whilst at the same time offering additional benefits and flexibility not found in comparable market alternatives.

In view of the above, management considers that there are insufficient grounds to classify the agreement as an onerous contract and to recognise a provision in respect of it.

In 2025, Bulgargaz EAD delivered seven cargoes — three to the liquefied natural gas terminal in Alexandroupolis and four to liquefied natural gas terminals in Turkey.

In January, due to temporary interruptions in supplies, Bulgargaz received only 60 per cent of the volume stipulated in the Azeri contract, and at the end of the same month, an accident occurred at the Alexandroupolis terminal, causing it to cease operations until August 2025. In order to meet this month's demand, the quantities earmarked for supply under the Azeri contract, as well as those from the terminal, were replaced by supplies from Turkey drawn from previous supplies of liquefied natural gas carried out by Bulgargaz and currently in storage on Turkish territory.

Given that the Alexandroupolis FSRU terminal was not operational, Bulgargaz was obliged to redirect all contracted supplies of liquefied natural gas from Alexandroupolis to Turkey, in accordance with the terms of the contracts signed with suppliers.

Bulgargaz EAD agreed on an annual programme for the 2025/26 gas year with the operator of the Alexandroupolis terminal and held tenders for the autumn-winter season with a view to implementing it. All participants who had passed the pre-qualification stage in previous tenders for liquefied natural gas organised by Bulgargaz were invited to take part in the tenders. The tenders attracted considerable interest and were won by suppliers and traders, with the selection criteria being the delivery price and the method of payment.

Following the tenders held, in October 2025 Bulgargaz EAD delivered a tanker carrying liquefied natural gas to the terminal near Alexandroupolis, with Total Energies being the supplier, and in early December 2025, Bulgargaz EAD delivered a second tanker as well carrying liquefied natural gas to the terminal near Alexandroupolis. The supplier was Metlen Energy & Metals.

Both liquefied natural gas tankers were loaded at terminals in the US.

- ✓ *Storage of natural gas*

The main part of the available quantities in the UGS Chiren are injected in 2022 at a price significantly above the current 2025 market price. These quantities are injected in line with the adopted Emergency Action Plan and the issued Orders of the Minister of Energy in relation to the imposition on Bulgargaz EAD of additional obligations to the public.

In the period January—April 2025, Bulgargaz EAD acquired a part of these quantities. This way, the company was able to reduce its stored quantities and market them.

The quantities of natural gas that Bulgargaz EAD failed to withdraw from UGS Chiren by 15 April 2025 were transferred as fulfilment of the obligation under the Contingency Plan for the gas year 2025/2026.

For accounting purposes, the quantities of natural gas injected into UGS Chiren are formed as two separate batches — the Contingency Plan (Plan) Quantities Batch and the Commercial Quantities (Commercial) Batch. This separation was necessitated by the high purchase price of the quantities injected under the 2022 Plan and more adequate subsequent accounting for these specific quantities of natural gas acquired. The remainder of available natural gas that is injected for current commercial use is accounted for in the Commercial Quantities batch, which is acquired within the relevant year at market prices and can be sold on the market.

According to the provision of IAS 2, respectively the accounting policy of the company, when determining the net realizable value of inventories as at 31 December 2025. The company has recognized a loss from depreciation of the available natural gas in the amount of BGN 8,424 thousand.

As at 31 December 2025, the accumulated impairment loss on the available quantities of natural gas under the Contingency Plan amounts to BGN 89,702 thousand. Despite the impairment losses recognised, the price of the injected natural gas in the Plan batch continued to be above current market levels. According to the accounting policy of Bulgargaz EAD, an impairment test on the available quantities is to be made every 6 months. In the Commercial Quantities lot, the accumulated impairment loss on the available natural gas quantities amounts to BGN 3,257 thousand and the price of the natural gas in storage in this lot is below market levels as at 31 December 2025.

As at 31 December 2025, part of the quantities available at BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş., were sold, which according to the provisions of IAS 2 were impaired in a preceding period. This resulted in recovery of impairment in the amount of BGN 14,916 thousand.

- ✓ *Analysis of the natural gas market and the activities of Bulgargaz EAD as at 31 December 2025.*

In January 2025, the terminal in Alexandroupolis suffered a considerable breakdown whereupon it discontinued operation until August 2025. This required the relocation of liquefied natural gas supplies to terminals in Turkey. As a result, in 2025, near 23% usability of the capacity under the agreement with BOTAŞ was reached.

In 2025, there is a trend of an increased demand for natural gas from customers compared to the quantities stated in their annual programmes. This is mainly due to 3 reasons:

- The discontinuation of the transit of Russian gas through Ukraine and the increased demand in this regard;
- Bulgargaz EAD offered competitive prices to its customers outside the regulated market, thanks to a flexible pricing policy;
- The current delivery prices at which Bulgargaz EAD receives the volumes under its long-term contract with the Azeri company are lower than the current prices of the European gas hubs, which enables the company to form a mix between the volumes under the long-term contract and the spot LNG supply contracts at prices close to market levels.

In 2025, there was a decrease of approximately 3.92% in the requests of the company's customers under bilateral contracts at exit points compared with the annual quantities requested for 2024:

Consumption of natural gas at exit points of the gas transmission network in Bulgaria					
Year	**Total gas consumption in Bulgaria**	**Change**	**Share of Bulgargaz EAD (excluding quantities sold under PGE)**		**Change**
	Million MWh	**%**	**%**	**Million MWh**	**%**
2019	30.70	-	88.93%	27.3	-
2020	30.70	0.00%	79.15%	24.3	(11.00%)
2021	35.30	15.00%	71.95%	25.4	4.50%
2022	28.10	(20.40%)	76.16%	21.4	(15.70%)
2023	26.30	(6.40%)	76.05%	20	(6.50%)
2024	27.80	5.7%	61.87%	17.20	(14.00%)
2025	27.64	0.6%	60.23%	16.65	(3.2%)

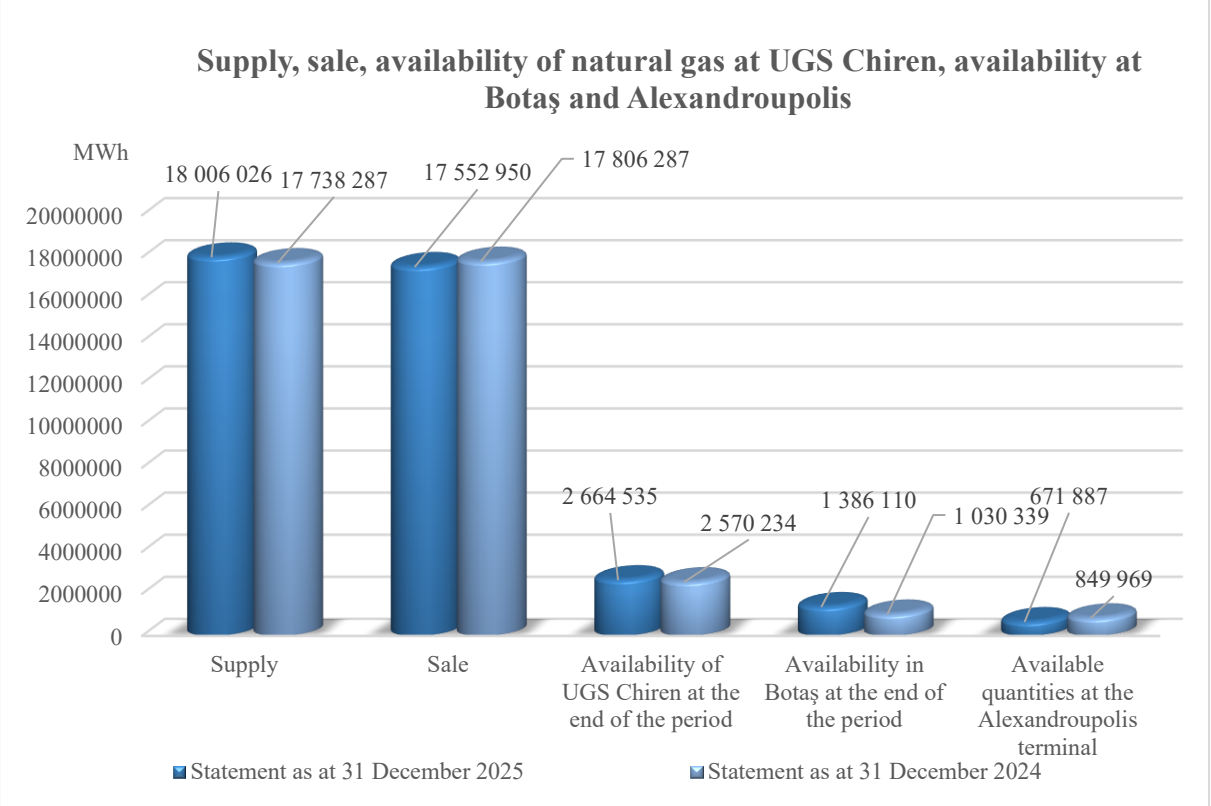
2. PERFORMANCE OF QUANTITATIVE INDICATORS

2.1. Purchased and sold amounts of natural gas

The amount of natural gas purchased and sold as at 31 December 2025, compared to 31 December 2024, are presented in Table 1:

Table No 1 *MWh*

Type of delivery	**Unit**	**As at 31 December 2025**	**As at 31 December 2024**	**Change in amounts**	**Change in (%)**
Supply	MWh	18,006,026	17,738,287	267,739	1.51%
Sale	MWh	17,552,950	17,806,287	(253,337)	(1.42%)
Availability of UGS Chiren at the end of the period	MWh	2,664,535	2,570,234	94,301	3.67%
Availability in Botaş at the end of the period	MWh	1,386,110	1,030,339	355,771	34.53%
Availability in Alexandroupolis at the end of the period	MWh	671,887	849,969	(178,082)	(20.95%)



During the reporting period, total gas amounts delivered were 18,006,026 MWh (31 December 2024: 17,738,287 MWh), which is an increase of 267,739 or 1.51%.

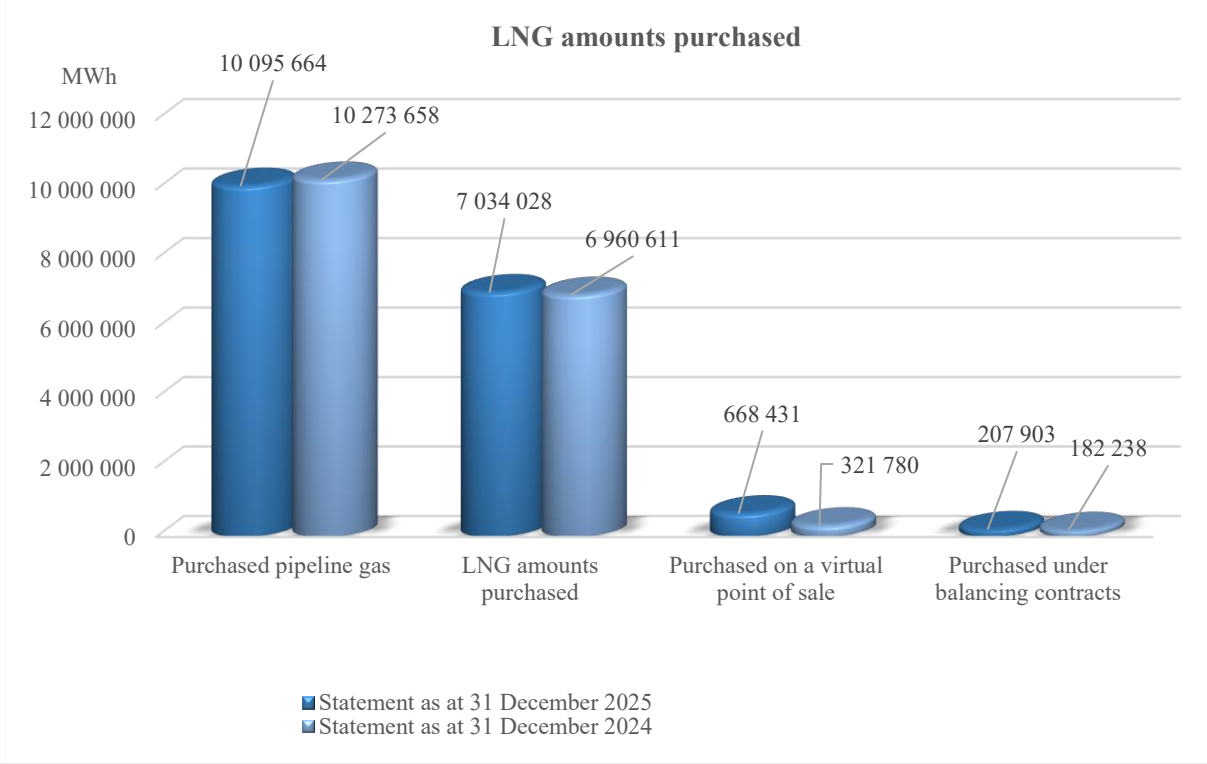
Natural gas sold as at 31 December 2025 is 17,552,950 MWh compared to 17,806,287 MWh as at 31 December 2025, which is a decrease of 253,337 MWh or 1.42%.

2.2 LNG amounts purchased

Purchased amounts of natural gas as at 31 December 2025 and 31 December 2024 are shown in Table 2.

Table No 2 *MWh*

Type of delivery	Statement as at 31 December 2025	Statement as at 31 December 2024	Change in amounts	Change in (%)
TOTAL for the period	**18,006,026**	**17,738,287**	**267,739**	**1.51%**
Purchased pipeline gas	10,095,664	10,273,658	(177,994)	(1.73%)
LNG amounts purchased(LNG)	7,034,028	6,960,611	73,417	1.05%
Purchased on a virtual point of sale	668,431	321,780	346,651	107.73%
Purchased under balancing contracts	207,903	182,238	25,665	14.08%



In order to ensure the natural gas needs of its customers as at 31 December 2025, Bulgargaz EAD has purchased 18,006,026 MWh of natural gas (31 December 2024: 17,738,287 MWh).

The purchased quantities of piped natural gas as at 31 December 2025 are in the amount of 10,095,664 MWh, liquefied natural gas 7,034,028 MWh, purchased at a virtual trading point 668,431 MWh and purchased natural gas under balancing contracts 207,903 MWh.

The main supplies of natural gas guaranteeing the consumption of the Company's customers are secured through:

- ✓ Following tender procedures held, contracts have been concluded for the supply of liquefied natural gas for 2025, the supplies in January, February, June, August, October and December were made at the terminals in Turkey and Greece (Alexandroupolis).
  In order to secure the supply routes from the LNG terminals to the Bulgarian gas transmission network, Bulgargaz EAD participates in tenders and reserves uninterruptible capacity products at entry-exit points of the Bulgarian gas transmission network. For the entry points where there is a risk of interruption of capacity products (points where only interruptible products are offered), Bulgargaz EAD was able to deliver through swap transactions, thus avoiding the risk of interruption of capacity products.
- ✓ A long-term contract concluded with Azerbaijan Gaz Supply Company (AGSC), which is implemented in full from 01 October 2022 with the launch of the IGB interconnection;
- ✓ Agreement for the purchase and sale of natural gas with Botaş, providing capacity for regasification and transmission to Bulgaria at the Strandzha 1/Malkochlar point.
- ✓ On 1 October 2024, the Alexandroupolis terminal was commissioned and liquefied natural gas (LNG) supplies to the Bulgarian market were launched. The capacity reserved by Bulgargaz EAD for the next 10 years is 10,600,000 MWh/year. In the end January 2025, an accident happened at the Alexandroupolis terminal, whereupon it discontinued operations until 01 August 2025.

2.3 Withdrawal and injection of natural gas

In order to guarantee the security and continuity of natural gas supplies and to cover the irregularity for its customers, Bulgargaz EAD uses the capacity of the underground gas storage facility in the UGS Chiren, owned by the combined operator Bulgartransgaz EAD.

The operation of the gas storage facility is cyclical, with the natural gas injection period being May—October, and the withdrawal period being November—April.

In accordance with the Contingency Plan for the storage of natural gas amounts to compensate for the seasonal unevenness of its customers, Bulgargaz EAD is obliged to inject, store and withdraw natural gas amounts by participating in Bulgartransgaz EAD's public procedure for the allocation of storage capacity at the UGS Chiren.

The withdrawn and injected amounts of natural gas in the UGS Chiren as at 31 December 2025 versus 31 December 2024 are presented in Table No 3.

Table No 3 *MWh*

Withdrawal and injection	As at 31 December 2025	As at 31 December 2024	Change in MWh	Change in %
Amounts available at the beginning of the period	**2,570,234**	**3,213,387**	**(643.153)**	**(20.01%)**
Withdrawal	1,126,801	2,199,675	(1,072,874)	(48.77%)
Injection	1,221,102	1,556,523	(335.421)	(21.55%)
Amounts available at the end of the period	**2,664,535**	**2,570,234**	**94.301**	**3.67%**

The extracted amounts of natural gas as at 31 December 2025 are 1,126,801 MWh, which is 1,072,874 MWh or 48.77% less compared to the previous period (31 December 2024: 25,593,675 MWh). The higher withdrawal during 2024 is related to the condition that the quantities of natural gas subject to compensation must be produced and delivered to final customers and/or final suppliers in the European Economic Area, according to the application of the compensation mechanism under the Program for providing compensation to companies that injected natural gas into the underground gas storage in the period 1 May 2022—11 October 2022.

The injected amounts of natural gas in 2025 are 1,221,102 MWh, which is less by 335,421 MWh, compared to 2024 when they were 1,556,523 MWh.`

As at 31 December 2025, the Company has 2,664,535 MWh of gas available at UGS Chiren, which is an increase of 94,301 MWh or 3.67% compared to the previous period.

III. SALE OF NATURAL GAS

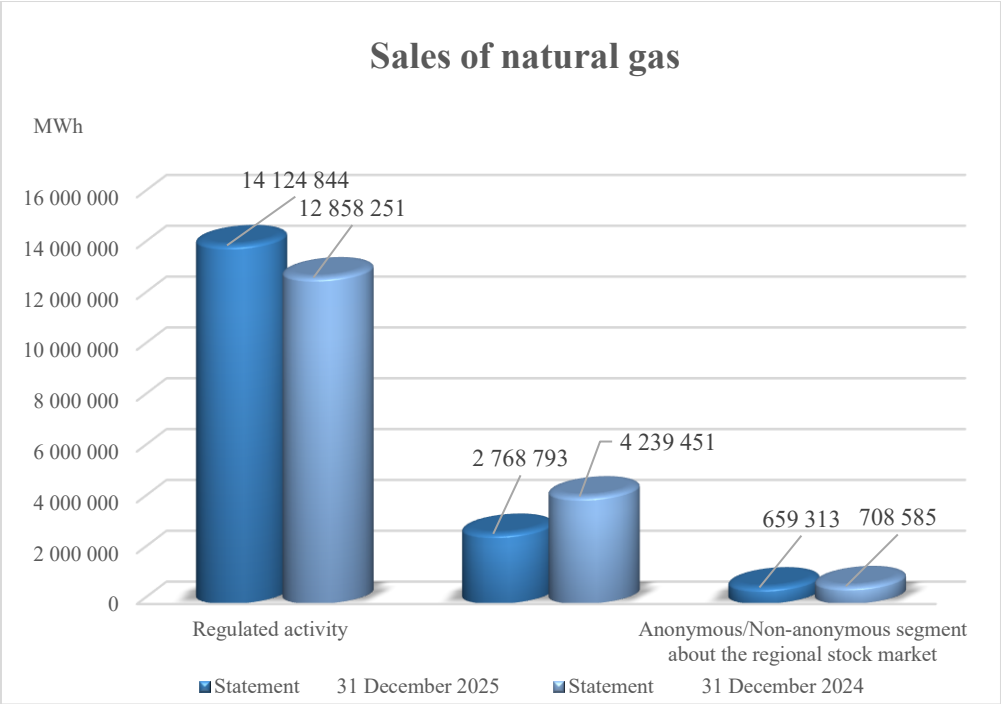
1. Sales

Bulgargaz EAD ensures security and continuity of supply of natural gas to its customers in the country in accordance with contractual requirements. As at 31 December 2025, 17,552,950 MWh of natural gas have been sold, representing a decrease of 253,337 MWh or 1.42% compared to the quantities sold as at 31 December 2024 — 17,806,287 MWh.

Natural gas sales for the reporting period are presented in Table No 4:

Table No 4 *MWh*

Sales	As at 31 December 2025	As at 31 December 2024	Change in amounts	Change in (%)
Regulated activity	14,124,844	12,858,251	1,266,593	9.85%
Freely negotiated prices	2,768,793	4,239,451	(1,470,658)	(34.69%)
Anonymous/Non-anonymous segment about the regional stock market	659,313	708,585	(49,272)	(6.95%)
Total	**17,552,950**	**17,806,287**	**(253,337)**	**(1.42%)**



2. Structure of sales

Amounts of natural gas sold to the Company's customers by main sectors of the economy as at 31 December 2025 and 31 December 2024 are presented in Table No 5.

Table 5

Industry sector	As at 31 December 2025	As at 31 December 2024	Change in amounts	Change in (%)
Energy	9,394,470	8,970,485	423,985	4.73%
Distribution companies	4,633,303	3,920,246	713,057	18.19%
Glass and porcelain	996,985	1,538,973	(541,988)	(35.22%)
Exchange sales	659,313	708,585	(49,272)	(6.95%)
Chemistry	581,011	643,844	(62,833)	(9.76%)
Metallurgy	326,982	880,112	(553,130)	(62.85%)
Building materials and construction	270,651	257,665	12,986	5.04%
Other	690,235	886,377	(196,142)	(22.13%)
Total	**17,552,950**	**17,806,287**	**(253,337)**	**(1.42%)**

As at 31 December 2025, the sales, compared to those as at 31 December 2024, decreased by 253,337 MWh or by 1.42%.

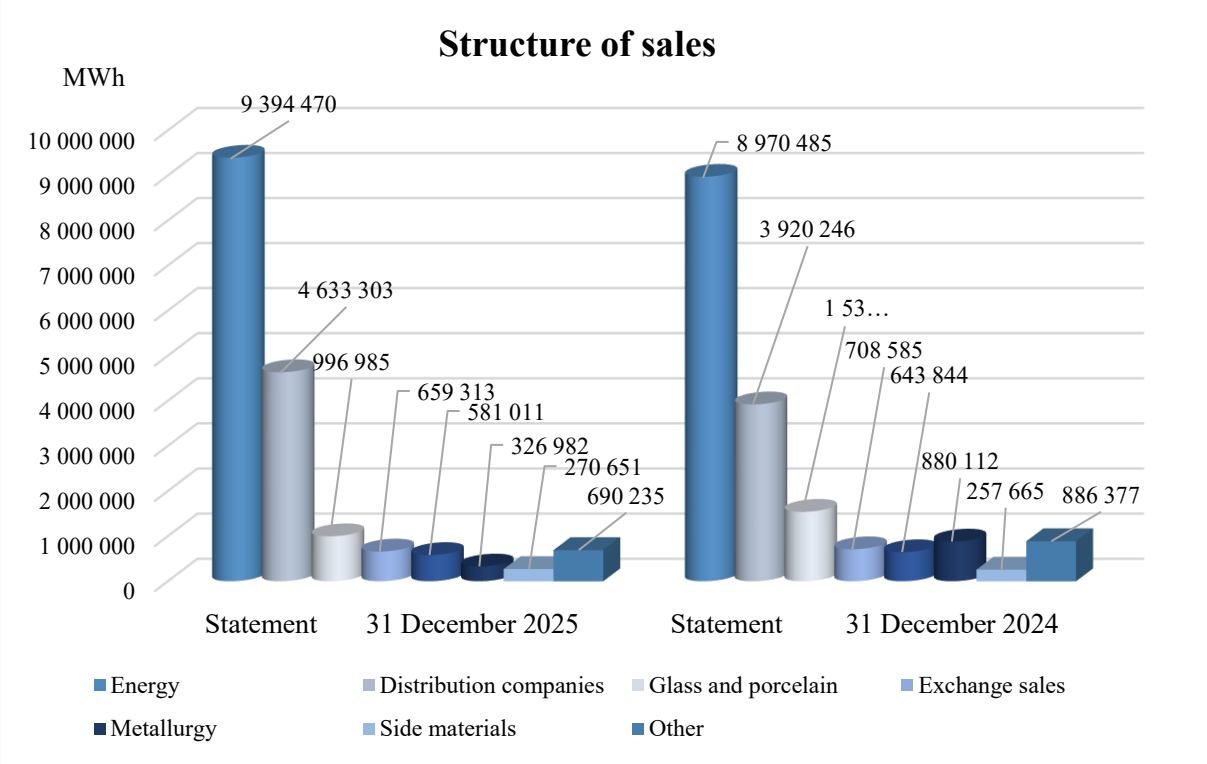
In its capacity of a Public supplier, Bulgargaz EAD provides a service of public interest — supply of natural gas to a range of persons stipulated in the Energy Act, at prices approved by the EWRC ('regulated prices'). Regulated prices are determined pursuant to Ordinance No 2 of 19 March 2013 on the regulation of natural gas prices.

Bulgargaz EAD, according to the Licence, is obliged to ensure a continuous and high-quality supply of natural gas, maintaining financial stability.

For all other customers connected to the gas transmission network — production enterprises, thermal power plants, greenhouses, etc. ('industrial customers'), Bulgargaz EAD supplies natural gas at freely negotiated prices. Under contracts with customers at freely negotiated prices, Bulgargaz EAD performs the function of a natural gas trader on competitive market terms.

According the legislative amendments, Bulgargaz EAD operates as follows:

- on a regulated market — at prices regulated by the Energy and Water Regulatory Commission (EWRC);
- on a free market — at freely negotiated prices;
- on an organized exchange market — at freely negotiated prices;
- organized stock market (on the domestic market and on the international markets) — at freely negotiated prices.



The data presented in Table No 5 shown in the graph above show the following trend in the structure of natural gas consumption:

- ✓ the main consumers of natural gas remain the enterprises in the field of energy and distribution companies to end consumers;
- ✓ an 18.19% increase in the sales of natural gas by distribution companies, compared to the sales in 2024
- ✓ a 5.04%increase in the sales of natural gas to companies in the construction materials manufacturing sector, compared to the sales in 2024
- ✓ a 4.73% increase in the sales of natural gas by companies in the energy sector, compared to the sales in 2024
- ✓ decrease in the sales in the metallurgy sector is most notable — 62.85%, compared to the sales in 2024.
- ✓ decrease in the sales in the Glass and China sector by 35.22%, compared to the sales in 2024.

IV. RISK FACTORS

The main risk factors in the activity of the Company are: regulatory/price risk, currency risk, credit risk and liquidity risk.

The following types of risks exist in carrying out the Company's activities:

1. Regulatory/Price Risk

The specificity of activity of Bulgargaz EAD stems from the fact that the Company is both a Public Supplier and a Trader of natural gas. The Company purchases natural gas at market prices by selling some of the amounts purchased at regulated prices. The discrepancy between the purchase price based on market levels and the sales price based on the lowest cost to purchase natural gas exposes the Company to the risk of losses and liquidity shortfalls in meeting its functional obligations. If regulated prices which are lower than the delivery prices are validated, sales revenue would not be sufficient to cover the actual cost for purchasing natural gas and the Company would experience difficulties in paying their liabilities towards suppliers.

2. Currency Risk

Currency risk is associated with changes in foreign exchange rates that result in a gain or loss on the revaluation of foreign currency assets and liabilities.

The main risk for Bulgargaz EAD stems from the need to buy natural gas in US dollars and sell it in BGN. Thus, the Company is exposed to the risk of changes in the exchange rate. The approved marginal price set by the Energy and Water Regulatory Commission for each regulatory period is determined at a fixed exchange rate of the US dollar against Bulgarian lev, averaged for 45 days prior to the month of submission of the application for approval of the EWRC selling price for the next price period. Also, the Company is exposed to the risk of realizing a loss from the revaluation of its foreign exchange exposures due to the dynamic movement of the US dollar exchange rate. The change in the Ordinance concerning the method of calculation of the pricing rate, adopted at the end of 2024 as a result of repeated requests made by Bulgargaz EAD to change it, mitigates this risk.

3. Credit risk

The credit risk for the Company arises from receivables from customers and the risk of financial loss in cases where the customer does not fulfil its contractual obligations to pay for the gas supplied. The main customers of the Company are the district heating companies, which commonly claim to have issues with the collection of their receivables from customers and accordingly experience serious difficulties in repaying their liabilities due to maturity. The Company carries out current monitoring and analysis of its receivables, while monitoring the behaviour of its customers and reports in detail the activities of its major debtors. Additional rescheduling

agreements are concluded with some of the customers who have difficulties in repaying their current liabilities after providing financial security. As a last resort, the supply of natural gas has been suspended and the receivables of Bulgargaz EAD were collected through the court.

4. Liquidity risk

Liquidity risk arises when the Company is unable to meet its current obligations and financial commitments. They are reflected in the short-term liabilities of the Company, namely liabilities for transfer and storage, liabilities to the state in the form of taxes and excise duties, liabilities under trade borrowings and regular payments related to operating activities. Short-term liabilities require precise planning of cash flows based on monthly forecasts.

5. Regulatory risk

Regulatory risk arises in periods of unstable local political situation and/or the geopolitical situation which has a direct, significant effect on the Company's activity, as well as lack of updated applicable legislation and by-laws that regulate the Company's activity, and do not correspond to the changing business environment in which it operates.

European Commission policies:

- ✓ leading to responsibilities of member states which will be transferred for implementation to local companies (for Bulgaria — Bulgargaz in particular), without providing for the corresponding financial compensation for the companies.
- ✓ imposing a voluntary limitation of the consumption of natural gas, which may lead to the impossibility of the Company to sale the quantities under concluded long-term supply contracts.

6. Inflation risk

In case of inflation exceeding the one set in the macro framework and in the instructions of Bulgarian Energy Holding EAD, there is a risk that the set costs dependent on inflation will not be sufficient and create difficulties for securing the commercial activity.

7. Lack of trained personnel

Human resources are the most important corporate asset and a key factor in achieving efficiency, economic growth and competitiveness. The frequent change of teams and/or the lack of sufficient experience in the implementation of liquefied natural gas supplies (as a result of a change in market models — switching from pipeline supplies to LNG supplies), in participating in capacity tenders or other operational activities of the Company may lead to managerial and functional risks for Bulgargaz EAD.

V. STRATEGIC, MARKET, FINANCIAL AND NON-FINANCIAL GOALS

The development of the Company is related to the realization of the strategic and market goals.

The main strategic goals of BULGARGAZ EAD are related to the responsibilities and obligations for continuity and reliability of the supplies. Guaranteeing the supply of natural gas is of key importance for the energy security of the Republic pf Bulgaria. In order to achieve these goals, Bulgargaz EAD makes every effort to provide alternative sources and routes for the supply of natural gas to help increase the security and reliability of gas supplies. This is related to maintaining constant financial stability and increasing the economic efficiency of the Company's operations, under the conditions of market uncertainty in the country and high intercompany indebtedness.

The market goals of Bulgargaz EAD are related to maintaining its market position in the country and entering new regional gas markets. In order to achieve these objectives, Bulgargaz EAD should register as a natural gas trader and access to the gas transmission networks of neighbouring countries, as well as offer flexible and competitive commercial terms.

The financial objectives of Bulgargaz EAD are related to ensuring the financial stability of the Company.

- As regards the regulated market, the regulatory framework regulates the pricing of Bulgargaz EAD for sales on the regulated market. Ordinance No 2 of 19 March 2013 for the regulation of natural gas prices sets an upper limit for the component for the 'public supply' activity to 2.5% per year, which should ensure a return on the Company's costs and capital. However, this component does not include a large part of the company's financial costs.
- With regard to the free market, after 01 January 2020, Bulgargaz EAD, in order to ensure a level playing field between the Company's customers, proposed a uniform approach to the formation of the prices at which it supplies natural gas on the regulated market and, respectively, the prices under the contracts, which were initially concluded under the conditions of regulated prices, and after the entry into force of the Act for amending and supplementing the EA should be executed at freely negotiated prices. In order to ensure a smooth transition and to protect the interests of both parties to the maximum extent, Bulgargaz EAD proposed to its customers that the formation of the sales prices under the Contracts be carried out in accordance with the provisions of Ordinance 2 of 19 March 2013. From 2022, the components forming the sales price set by the Ordinance shall include a surcharge covering the costs of Bulgargaz EAD which are not included in the calculation of the regulated price. The approach applied by the Company ensures the objective and transparent formation of the gas price. The non-financial goals of Bulgargaz EAD are related to the Company's activities in the context of social responsibility and sustainable development, as well as the results achieved in these directions. Investments in the Company's social policy, as well as publicity and transparency of the activities, development of an integrated and competitive energy market.
- Updating the administrative structure and developing human resources. Human resources are the most important corporate asset and a key factor in achieving efficiency, economic growth and competitiveness.

Creating a strategy for HR management means making a targeted effort by creating rules and mechanisms for their management. A clear concept of HR management goals and outcomes is needed. Sufficient financial resources are also needed to improve the professional qualifications of employees and obtain specific knowledge related to the new conditions of the natural gas market, the diversification of sources and delivery routes, the specifics of concluding LNG transactions and applying European and national legislation.

VI. FINANCIAL AND ECONOMIC POSITION

The financial and economic position of Bulgargaz EAD has been reviewed and analysed on the basis of the annual financial statements, which comprise the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of equity of the Company as at 31 December 2025 compared to the same period in 2024.

The main financial and economic results of the Company's activities as at 31 December 2025 and as at 31 December 2024 are presented as follows:

000'BGN

Indicators	31 December 2025	31 December 2024	Change	Change (%)
Total operating revenue	1,432,969	1,498,243	(65,274)	(4.36%)
Total operating expenses	(1,664,101)	(1,752,917)	88,816	(5.07%)
EBITDA	**(231,132)**	**(254,674)**	**23,542**	**9.24%**
EBIT	**(231,537)**	**(255,102)**	**23,565**	**9.24%**
EBT	**(266,527)**	**(311,819)**	**45,292**	**14.53%**

Indicators	31 December 2025	31 December 2024	Change	Change (%)
Fixed tangible assets	84	223	(139)	(62.33%)
Total assets	2,076,620	1,899,646	176,974	9.32%
Current assets	2,052,788	1,874,953	177,835	9.48%
Current liabilities	1,963,984	1,466,067	497,917	33.96%
Cash balances	**2,763**	**1,254**	**1,509**	**120.33%**
Working capital	**88,804**	**408,886**	**(320,082)**	**(65.14%)**
Equity	**(457,598)**	**(190,371)**	**(267,227)**	**(140.37%)**
Share capital	231,698	231,698	0	0.00%
Reserves	21,122	21,133	(11)	(0.05%)
Accumulated loss	(443,202)	(127,313)	(315,889)	248.12%
Loss for the current period	**(267,216)**	**(315,889)**	**48,673**	**15.41%**
Number of personnel	**56**	**54**	**2**	**3.70%**

VII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

000'BGN

STATEMENT OF COMPREHENSIVE INCOME	As at 31 December 2025		As at 31 December 2024		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
Revenue	**1,432,969**	**100.00%**	**1,498,243,**	**100.00%**	**(65,274)**	**(4.36%)**
Revenue from sale of natural gas	**1,351,805**	**94.34%**	**1,435,529,**	**95.81%**	**(83,724)**	**(5.83%)**
Regulated activity	1,067,364	74.49%	1,066,872	71.21%	492	0.05%
Unregulated activity freely negotiated prices	197,292	13.77%	297,230	19.84%	(99,,938)	(33.62%)
Organized stock market / Anonymous segment	1,318	0.09%	29,737	1.98%	(28,419)	(95.57%)
Organised stock market / Non-anonymous segment	31,611	2.21%	14,866	0.99%	16,745	112.64%
Regional market	17,134	1.20%			17,134	-
LNG for technological needs at the Alexandroupolis terminal	13,011	0.91%	4,404	0.29%	8,607	195.44%

STATEMENT OF COMPREHENSIVE INCOME	As at 31 December 2025		As at 31 December 2024		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
Related parties — BTG sale of natural gas for balancing	13,424	0.94%	12,134	0.81%	1,290	10.63%
Regional market — balancing	79	0.01%			79	-
Other penalties — sanctions for amounts	10,572	0.74%	10,286	0.69%	286	2.78%
Other revenue	**81,164**	**5.66%**	**62,714**	**4.19%**	**18,450**	**29.42%**
— penalties on overdue receivables/payables	72,215	5.04%	60,116	4.01%	12,099	20.13%
— other revenue	8,949	0.62%	2,598	0.17%	6,351	244.46%
Expenses by economic elements	**(1,664,101)**	**100.00%**	**(1,752,917)**	**100.00%**	**88,816**	**(5.07%)**
Prime cost of natural gas sold	**(1,291,799)**	**77.63%**	**(1,316,578)**	**75.11%**	**24,779**	**(1.88%)**
Regulated activity	(1,032,218)	62.03%	(963,490)	54.96%	(68,728)	7.13%
Unregulated activity freely negotiated prices	(184,073)	11.06%	(291,266)	16.62%	107,193	(36.80%)
Organized stock market / Anonymous segment	(1,248)	0.07%	(29,787)	1.70%	28,539	(95.81%)
Organised stock market / Non-anonymous segment	(29,933)	1.80%	(13,853)	0.79%	(16,080)	116.08%
Regional market	(16,062)	0.97%			(16,062)	-
LNG for technological needs at the Alexandroupolis terminal	(12,853)	(0.90%)	(4,404)		(8,449)	191.85%
Regional market — prime cost of the natural gas for balancing	(23)	0.00%			(23)	-
Related parties — BTG at cost of natural gas for balancing	(15,389)	0.92%	(13,778)	0.79%	(1,611)	11.69%
Recovered/(accrued) impairment of assets	**(42,562)**	**2.56%**	**(105,277)**	**6.01%**	**62,715**	**(59.57%)**
Recovered/(accrued) impairment of financial assets (receivables), net	(45,408)	2.73%	(68,514)	3.91%	23,106	(33.72%)
Increase (accrual) of depreciation on advances for natural gas	14,405	(0.87%)	(721)	0.04%	15,126	(2 097.92%)
Increase (accrual) of natural gas charges	(11,559)	0.69%	(36,042)	2.06%	24,483	(67.93%)
Cost of materials	**(56)**	**0.00%**	**(54)**	**0.00%**	**(2)**	**3.70%**
— basic materials	(7)	(0.00%)	(3)	0.00%	(4)	133.33%
— fuels and lubricants	(8)	0.00%	(6)	0.00%	(2)	33.33%
— office supplies and consumables	(16)	0.00%	(21)	0.00%	5	(23.81%)
— sanitary materials	(9)	0.00%	(9)	0.00%	-	0.00%
— promotional materials	(11)	0.00%	(8)	0.00%	(3)	37.50%
— other materials	(5)	0.00%	(7)	0.00%	2	(28.57%)
Hired services expenses	**(21,110)**	**1.27%**	**(26,807)**	**1.53%**	**5,697**	**(21.25%)**

STATEMENT OF COMPREHENSIVE INCOME	As at 31 December 2025		As at 31 December 2024		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
— costs for storage of natural gas	(11,510)	0.69%	(14,318)	0.82%	2,808	(19.61%)
— LNG gas transmission services adjustment	(19)	0.00%	36	(0.00%)	(55)	(152.78%)
— costs under BEH management contracts	(76)	0.00%	(111)	0.01%	35	(31.53%)
— licence fees	(813)	0.05%	(1,351)	0.08%	538	(39.82%)
— fees for Gas Hub Balkan	(70)	0.00%	(219)	0.01%	149	(68.04%)
— gas trade fees — Regional market	(84)	0.01%			(84)	-
— insurances	(280)	0.02%	(335)	0.02%	55	(16.42%)
— rents	(258)	0.02%	(258)	0.01%	-	0.00%
— court fees and costs	(66)	0.00%	(5,977)	0.34%	5,911	(98.90%)
— consulting and auditing services	(5,789)	0.35%	(2,851)	0.16%	(2,938)	103.05%
— communications	(413)	0.02%	(373)	0.02%	(40)	10.72%
— remunerations of audit committee members	(145)	0.01%	(152)	0.01%	7	(4.61%)
— building maintenance	(5)	0.00%	(1)	0.00%	(4)	400.00%
— utilities	(46)	0.00%	(42)	0.00%	(4)	9.52%
— subscription service	(26)	0.00%	(26)	0.00%	-	0.00%
— repair and technical maintenance	(6)	0.00%	(8)	0.00%	2	(25.00%)
— parking spaces and other costs for motor vehicles	(19)	0.00%	(19)	0.00%	-	0.00%
— visa and translation services	(12)	0.00%	(32)	0.00%	20	(62.50%)
— security	(141)	0.01%	(149)	0.01%	8	(5.37%)
— occupational medicine	(6)	0.00%	(6)	0.00%	-	0.00%
— fees — EWRC for price approval	(14)	0.00%	(13)	0.00%	(1)	7.69%
— other services	(1,312)	0.08%	(602)	0.03%	(710)	117.94%
Costs for unused capacity	**(299,420)**	**17.99%**	**(295,219)**	**16.84%**	**(4,201)**	**1.42%**
Employee benefits and social security expenses	**(5,052)**	**0.30%**	**(4,917)**	**0.28%**	**(135)**	**2.75%**
— employee benefits expenses	(4,282)	0.26%	(4,255)	0.24%	(27)	0.63%
— compensated leaves costs	(214)	0.01%	(161)	0.01%	(53)	32.92%
— employment service costs (retirement)	(34)	0.00%	(28)	0.00%	(6)	21.43%
— social security expenses	(522)	0.03%	(473)	0.03%	(49)	10.36%
Recognized (accrued) provision expenses	-	0.00%		0.00%	-	-
Other expenses	**(4,102)**	**0.25%**	**(4,065)**	**0.23%**	**(37)**	**0.91%**
— penalties on delayed payments	(30)	0.00%	-	0.00%	(30)	-
— business trips and entertainment costs	(51)	0.00%	(45)	0.00%	(6)	13.33%
— trainings	(30)	0.00%	(18)	0.00%	(12)	66.67%
— one-off taxes	(50)	0.00%	(40)	0.00%	(10)	25.00%

STATEMENT OF COMPREHENSIVE INCOME	As at 31 December 2025		As at 31 December 2024		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
— membership in the organization	(49)	0.00%	(17)	0.00%	(32)	188.24%
— donations	(10)	0.00%	(12)	0.00%	2	(16.67%)
— others	(3,882)	0.23%	(3,933)	0.22%	(51)	(1.30%)
Profit before interest depreciation taxes	**(231,132)**		**(254,674)**		**23,542**	**(9.24%)**
Depreciation charges	**(405)**	**0.02%**	**(428)**	**0.02%**	**23**	**(5.37%)**
Profit/(loss) from operating activities	**(231,537)**		**(255,102)**		**23,567**	**(9.24%)**
Financial income/(expenses)-net	**(34,990)**		**(56,717)**		**21,727**	(38.31%)
Financial income	**175**	**100.00%**	**244**	**100.00%**	**(69)**	**(28.28%)**
— Interest income on cash and cash equivalents	40	22.86%	244	100.00%	(204)	(83.61%)
— other financial income/costs, net	135	77.14%			135	
Financial costs	**(62,308)**	**100.00%**	**(51,996)**	**100.00%**	**(10,312)**	**19.83%**
— interest expenses on payment of obligations according to defined benefit plans	(10)	0.02%	(10)	0.02%	-	0.00%
— interest expenses on borrowings from related entities — MoE	(16,222)	26.04%	(16,331)	31.41%	109	(0.67%)
— interest expenses on borrowings to related entities — BEH	(22,861)	36.69%	(20,742)	39.89%	(2,119)	10.22%
Interest expenses on borrowings to banks	(10,965)	17.60%	(8,220)	15.81%	(2,745)	33.39%
Interest expenses on tax liabilities	-	0.00%	(395)	0.76%	395	(100.00%)
— interest expenses under rental agreements	(4)	0.01%	(8)	0.02%	4	(50.00%)
— bank guarantee costs	(2,112)	3.39%	(1,056)	2.03%	(1,056)	100.00%
— bank fees	(4,636)	7.44%	(5,234)	10.07%	598	(11.43%)
— other financial income/costs, net	(5,498)	8.82%			(5,498)	-
Other financial revenues/expenses — currency differences	**27,143**	**100.00%**	**(4,965)**	**100.00%**	**32,108**	**(646.69%)**
Foreign exchange rate gain/loss	27,143	100.00%	(4,965)	100.00%	32,108	(646.69%)
Profit/(loss) before tax	**(266,527)**		**(311,819)**		**45,292**	**(14.53%)**
Income from/(expenses on) profit taxes	(689)		(4,070)		3,381	(83.07%)
Net profit/(loss) for the period	**(267,216)**		**(315,889)**		**48,673**	**(15.41%)**

1. Revenue

The Company's revenues are formed from the sales of natural gas at regulated and freely negotiated prices. The sale at freely negotiated prices includes the sale at exit points to customers directly connected to the transmission network and sale on the exchange market.

The Company has realized revenues in the amount of BGN 1,432,969 thousand as at 31 December 2025 (as at 31 December 2024 BGN 1,498,243 thousand). The decrease amounts to BGN 65,274 thousand or 4.36%, compared to the previous reporting period, is due to lower amount of sales on the free market. The net result from the sale of natural gas as at 31 December 2025 amounts to BGN 60,006 thousand (as at 31 December 2024 it was BGN 118,951 thousand), which makes an increase of BGN 58,945 thousand.

2. Expenses

Expenses by economic elements include: cost of natural gas sold, impairment losses, costs of materials, costs of external services, depreciation charges, employee benefits expenses, expenses for remunerations of key management staff, social security and allowance expenses, provision expenses and others. As at 31 December 2025, they amount to BGN 1,664,101 thousand (as at 31 December 2024: BGN 1,752,917 thousand), which makes an increase of BGN 88,816 thousand or 5.07%.

- The largest relative share of the total expenses is the cost of natural gas sold as at 31 December 2025 in the amount of BGN 1,291,799 thousand (as at 31 December 2024: BGN 1,316,578 thousand).
- In 2025, part of the quantities stored at BOTAŞ, which were impaired in preceding periods, are withdrawn and as a result, impairment is recovered in the amount of BGN 14,916 thousand. As at 30 June 2025, an impairment in the amount of BGN 511,000 thousand was recognised on one of the quantities.
- As at 31 December 2025 the impairment cost on receivables amounts to BGN 45,408 million compared to BGN 68,514 thousand as at 31 December 2024. Most of these receivables are of Toplofikacia Sofia EAD.
- The cost of materials as at 31 December 2025 is BGN 56 thousand (as at 31 December 2024: BGN 54 thousand), which makes an increase of BGN 2 thousand or 3.70%. Materials costs include stationery and supplies, sanitary materials, auto parts, tires and other materials.
- The hired services expenses as at 31 December 2025 are BGN 21,110 thousand (as at 31 December 2024: BGN 26,807 thousand), which makes an increase of BGN 5,697 thousand or 21.25%.
- The cost of unused capacity as at 31 December 2025 are BGN 299,420 thousand (as at 31 December 2024: BGN 295,219 thousand), which makes an increase of BGN 4,201 thousand or 1.42%. This increase is due to the unused capacity for regasification and transmission along the route from the terminal in Alexandroupolis — ICGB- Bulgaria. The amount of costs as at 31 December 2025 includes unused capacity from Botaş, ICGB, Desfa, and Gastrade.
- Expenses for remuneration and insurance as at 31 December 2025 amount to BGN 5,052 thousand (as at 31 December 2025: BGN 4,917 thousand), which makes an increase of BGN 135 thousand or 2.75%. The remuneration and social insurance costs of the key management staff amount to BGN 628 thousand (as at 31 December 2024: BGN 699 thousand).
- Other expenses as at 31 December 2025 are in the amount of BGN 4,102 thousand (as at 31 December 2024: BGN 4,065 thousand), which makes an increase of BGN 37 thousand.

The result from operating activities is a loss of BGN 231,537 thousand as at 31 December 2025 (as at 31 December 2024: loss amounting to BGN 255,102 thousand), which is a decrease of the loss by BGN 23,567 thousand. The loss for the period is due to the cost of unused capacity.

After reflecting the financial income and expenses as at 31 December 2025, the financial result before taxes is loss of BGN 266,527 thousand (as at 31 December 2024: loss: BGN 311,819 thousand), which is a decrease of the loss by BGN 45,292 thousand or 14.53%.

VIII. STATEMENT OF FINANCIAL POSITION

As at 31 December 2025, the Company's assets amount to BGN 2,076,620 thousand (as at 31 December 2024: BGN 1,899,646 thousand). The changes in the structure of assets for both periods are shown in the following table:

000'BGN

Assets	As at 31 December 2025		As at 31 December 2024		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
Non-current assets						
Plant and equipment	84	0.35%	223	0.90%	(139)	(62.33%)
Intangible assets	179	0.75%	313	1.27%	(134)	(42.81%)
Investment in a subsidiary	100	0.42%		0.00%	100	
Deferred tax assets	23,469	98.48%	24 157	97.83%	(688)	(2.85%)
Total amount of non-current assets	**23,832**	**100.00%**	**24 693**	**100.00%**	**(861)**	**(3.49%)**
Current assets						
Inventories	**281,477**	**13.71%**	**305 980**	**16.32%**	**(24,503)**	**(8.01%)**
— natural gas	281,466	13.71%	305 969	16.32%	(24,503)	(8.01%)
— materials	11	0.00%	11	0.00%	-	0.00%
Trade and other receivables and assets under contracts with customers and advances	**1,768,548**	**86.15%**	**1 567 719**	**83.61%**	**200,829**	**12.81%**
— trade receivables from sale of natural gas	1,220,723	59.47%	953 765	50.87%	266,958	27.99%
— contract assets	15,419	0.75%	37 014	1.97%	(21,595)	(58.34%)
— court and awarded receivables, net	55,774	2.72%	33 565	1.79%	22,209	66.17%
— Advance payments	405,409	19.75%	456 017	24.32%	(50,608)	(11.10%)
— prepaid advances for natural gas supply	380,998	*18.56%*	*453 424*	24.18%	(72,426)	(15.97%)
— prepaid services	24,410	*1.19%*	*2 593*	0.14%	21,817	841.38%
— prepaid advances for delivery of fixed assets	1	*0.00%*	-	0.00%	1	
— receivables under contracts with Gazprom	19,318	0.94%	21 861	1.17%	(2,543)	(11.63%)
— receivables from related parties (natural gas, deposits and guarantees)	36,893	1.80%	40 007	2.13%	(3,114)	(7.78%)
— other receivables	15,012	0.73%	25 490	1.36%	(10,478)	(41.11%)
Cash and cash equivalents	**2,763**	**0.13%**	**1 254**	**0.07%**	**1,509**	**120.33%**

Assets	As at 31 December 2025		As at 31 December 2024		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
Total amount of current assets	**2,052,788**	**100.00%**	**1 874 953**	**100.00%**	**177,835**	**9.48%**
Total assets	**2,076,620**		**1 899 646**		**176,974**	**9.32%**

1. Non-current assets

Non-current assets as at 31 December 2025 amount to BGN 23,832 thousand (as at 31 December 2024: BGN 24,693 thousand), which represents a decrease by BGN 861 thousand or 3.49 %. Non-current assets during the reporting period are formed by non-current tangible and intangible assets in the amount of BGN 263 thousand, an investment in the subsidiary Bulgargaz North amounting to BGN 100 thousand, and deferred tax assets for BGN 23,469 thousand.

2. Current assets

The current assets of the Company as at 31 December 2025 amount to BGN 2,052,788 thousand (as at 31 December 2024: they are BGN 1,874,953 thousand), which is an increase by BGN 177,835 thousand or 9.48%, mainly as a result of an increase in the amount of the commercial receivables.

- *Receivables from sales of natural gas*

Receivables from sales of natural gas are on the rise due to Toplofikacia Sofia EAD's delay in repaying its obligations regularly and on time. As at 31 December 2025, the outstanding gross receivables under the natural gas supply contract of Toplofikacia Sofia EAD to Bulgargaz EAD amount to BGN 1,287,615 thousand (31 December 2024: BGN 985,525 thousand).

In order to overcome the indebtedness of the district heating company, in September 2022 a Tripartite Agreement was signed between Toplofikacia Sofia EAD, the Electricity System Security Fund, Bulgarian Energy Holding EAD and Bulgargaz EAD, under which the monthly amounts from the Fund's payments are redirected to Bulgargaz EAD and Bulgarian Energy Holding EAD in an 80/20 ratio. Three further supplementary agreements were concluded in connection with it, thereby extending its validity.

As a result of the systematic accumulation of significant overdue liabilities of Toplofikacia Sofia EAD to Bulgargaz EAD during the period under review, the public supplier has taken a series of measures, of increasing intensity, aimed at limiting financial risk and protecting its receivables. Under the current Contract No 1-234 for the supply of natural gas and its subsequent amendments, Bulgargaz has maintained supplies to the district heating company, whilst at the same time seeking sustainable solutions to settle the outstanding liabilities.

In 2024, efforts were made to resolve relations voluntarily, including through working meetings and coordination with state and municipal institutions. In the absence of sufficient progress and where there are indications of a deterioration in payment discipline, Bulgargaz has taken precautionary measures, including initiating legal proceedings and taking action to impose attachments in order to secure future receivables.

In 2025, the company switched to a significantly stricter and more secure contracting model, making the continuation of the contractual relationship conditional upon Toplofikacia Sofia providing specific guarantees. In this regard, requirements have been set out for the conclusion of agreements to reschedule liabilities and for the introduction of mechanisms to ensure that cash flows are channelled to Bulgargaz, with a view to effectively securing current and future payments.

Alongside out-of-court measures, Bulgargaz has consistently utilised all the legal mechanisms provided for by law to protect its interests. Since 2019, the company has brought more than 10 legal proceedings (commercial and civil) against Toplofikacia Sofia, five of which were initiated in the last two years. This clearly underlines the company's proactive position and its consistent efforts to ensure the receivables collection.

In summary, Bulgargaz's actions are characterised by a gradual escalation — from seeking dialogue and voluntary settlement to the use of precautionary and legal measures, with adequate and proportionate measures being taken at each stage to safeguard the company's financial stability.

- *Inventories*

As at 31 December 2025, inventories amount to BGN 281,477 thousand (31 December 2024: BGN 305,980 thousand), which makes a decrease of BGN 24,503 thousand or 8.01%. This decrease is due to the withdrawal in the first half of 2025 from the UGS Chiren. The usual seasonal nature of the activity implies that in the summer period of the year the Company injects natural gas into UGS Chiren, and during the winter months withdraws it for sale. In the period January—December 2024, the company withdrew significant amounts of 2,199,675 MWh from the UGS Chiren, as in the first third of 2025 it continued the withdrawal, which reduced the stock accumulated in previous years at prices higher than the current market ones.

- *Prepaid advances*

The prepaid advances as at 31 December 2025 amount to BGN 405,409 thousand (31 December 2024: BGN 456,017 thousand), which makes a decrease of BGN 50,608 thousand or 11.10%. For the most part, these advances represent stocks of liquefied natural gas delivered by the company to Turkish terminals, located in the gas transmission network of Botaş, available for supply to the Bulgarian gas transmission network, which as at 31 December 2025 is in the amount of 1,386 thousand. MWh (as at 31 December 2024: 1,030 thousand MWh).

- *Cash*

The Company's cash in current accounts at the end of the reporting period amounted to BGN 2,763 thousand (as at 31 December 2024: BGN 1,254 thousand), which makes an increase of BGN 1,509 thousand or 120.33%.

Bulgargaz EAD uses overdrafts from commercial banks to cover its operating expenses — five bank overdrafts with the suretyship of Bulgarian Energy Holding, with a total limit of BGN 219,900 thousand and two state guaranteed overdrafts with a total limit of BGN 234,700 thousand. As at 31 December 2025, the disbursements from the overdrafts are as follows:

– bank credit, overdraft type — drawn down funds as at 31 December 2025 in the amount of BGN 156,836 thousand. (as at 31 December 2024 the funds utilised are in the amount of BGN 0).

– state guaranteed credit of an overdraft type — as at 31 December 2025 funds used amounted to BGN 234,334 thousand. (as at 31 December 2024, the withdrawn part is BGN 199,020 thousand)

3. Changes in the structure of capital and liabilities

000'BGN

Equity and liabilities	As at 31 December 2025		As at 31 December 2024		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
Equity						
Share capital	231.698	(50.63%)	231.698	(121.71%)	-	0.00%
Reserves	**21.122**	**(4.62%)**	**21.133**	**(11.10%)**	**(11)**	**(0.05%)**
incl. statutory reserves	21.166	(4.63%)	21.166	(11.12%)	-	0.00%
Other reserves	(44)	0.01%	(33)	0.02%	(11)	(33.33%)
Accumulated loss	(443.202)	96.85%	(127.313)	66.88%	(315.889)	(248.12%)
Loss current period	(267.216)	58.40%	(315.889)	165.93%	48.673	15.41%
Total equity	**(457.598)**	**100%**	**(190.371)**	**100%**	**(267.227)**	**(140.37%)**
Liabilities						
Non-current liabilities						
Borrowings:	**570.000**	**91.35%**	**570.000**	**91.35%**	**0**	**0.00%**
— Short-term borrowings from related parties BEH	570.000	91.35%	570.000	91.35%	0	0.00%
Lease obligation	6	0.00%	59	0.01%	(53)	(89.83%)
Provisions	0	0%	53.715	8.61%	-53.715	100.00%
Retirement benefits obligations	228	0.04%	176	0.03%	52	29.55%
Total amount of non-current liabilities	**570.234**	**100.00%**	**623.950**	**100.00%**	**-53.716**	**8.61%**
Current liabilities						
Borrowings	**1,268,361**	**64.58%**	**1,060,603**	**72.34%**	**207.758**	**19.59%**
— related party received borrowings payable	876.603	45.89%	861.453	58.76%	15.150	1.76%
— bank overdraft borrowings payable	391.170	20.48%	199.020	13.58%	192.150	96.55%
— bank overdraft borrowings payable	588	0.03%	130	0.01%	458	352.31%
Provisions	**53.715**					
Trade and other payables	**641.820**	**32.68%**	**405.304**	**27.65%**	**236.516**	**58.36%**
— trade payables	546.401	28.60%	293.471	20.02%	252.930	86.19%
— liabilities to related parties	7.873	0.41%	10.210	0.70%	(2.337)	(22.89%)

Equity and liabilities	As at 31 December 2025		As at 31 December 2024		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
— advances received from customers for the sale of natural gas	16.005	0.84%	36.421	2.48%	(20.416)	(56.06%)
— VAT payable	20.223	1.06%	40.557	2.77%	(20.334)	(50.14%)
— excise duty payable	1.097	0.06%	1.412	0.10%	(315)	(22.31%)
— payables to employees	250	0.01%	208	0.01%	42	.19%
— liabilities to insurance companies	131	0.01%	115	0.01%	16	13.91%
— other liabilities	49.840	2.54%	22.910	1.56%	26.930	117.55%
Lease obligation	**53**	**0.00%**	**129**	**0.01%**	**(76)**	**(58.91%)**
Retirement benefits obligations	**35**	**0.00%**	**31**	**0.00%**	**4**	**12.90%**
Total amount of current liabilities	**1,963,984,268**	**100.00%**	**1,466,067**	**100.00%**	**497.917**	**33.96%**
Total liabilities	**2,534,218**		**2,090,017**		**444.201**	**21.25%**
Total equity and liabilities	**2,076,620**		**1,899,646**		**176.974**	**9.32%**

3.1. Capital structure

The registered share capital as at 31 December 2025 amounted to BGN 231,698 thousand, as there is no change compared to the previous reporting period.

As at 31 December 2025, the accrued loss from past years amounted to BGN 443,202 thousand (as at 31 December 2024: the accrued loss is BGN 127,313 thousand). The change as at 31 December 2025 is BGN 315,889 thousand.

The financial result for 31 December 2025 is a loss of BGN 267,216 thousand (the loss for 2024 is in the amount of BGN 315,889 thousand), resulting in a negative value of equity. The loss is mainly due to unused capacity costs as well as financial interest expenses on extended borrowings.

3.2. Non-current liabilities

The Company's non-current liabilities as at 31 December 2025 amounted to BGN 570,234 thousand, compared to BGN 623,950 thousand as at 31 December 2024. The non-current liabilities consist of two borrowings received from the sole owner, BEH EAD.

- *Borrowed funds*

As at 31 December 2025, the Company has utilized cash borrowings from the sole owner BEH EAD for the amount of BGN 630,000 thousand, of which BGN 570,00 thousand in the form of non-current liabilities. Furthermore, Bulgargaz EAD uses a borrowing from the Ministry of Energy in the amount of BGN 800,000 thousand secured by receivables against Toplofikacia Sofia EAD, whose maturity is until 13 August 2028. The borrowing matures in 2025 and on 15 August 2025 the Council of Ministers adopted Decree No 161 of 15 August 2025, amending the term of the borrowing from '36 months' to '72 months', i.e. a new maturity date until

12 August 2028 has been set. Pursuant to paragraph 2 of Decree of the Council of Ministers No 161, the extension of the borrowing term shall not take effect until approval has been received from the European Commission confirming that the amendment constitutes a compatible state aid measure. As at 31 December 2025 and as at the date of preparation of the financial statements, no approval had been received from the European Commission.

3.3. Current liabilities

As at 31 December 2025, the current liabilities amount to BGN 1,963,984 thousand (as at 31 December 2024: BGN 1,466,067 thousand), which makes an increase of BGN 497,917 thousand.

➢ *Borrowed funds*

As at 31 December 2025, the Company has drawn current borrowings in the total amount of BGN 1,268,361 thousand (as at 31 December 2024: BGN 1,060,603 thousand), which makes an increase of BGN 207,758 thousand. This increase is due to the utilised bank overdrafts.

➢ *Trade payables*

As at 31 December 2025, trade and other liabilities increased by BGN 236,516 thousand or 58.36% compared to 31 December 2024 mainly due to the net effect of:

- ✓ increase in trade payables by BGN 252,930 thousand or by 86.19% compared to 31 December 2024.
- ✓ decrease in advances received from customers for the sale of natural gas by BGN 20,416 thousand or 56.06% less than compared to 31 December 2024.

➢ *Provision related to Case COMP/B1/AT.39849-BEH Gas*

The provision accrued as at 31 December 2024 in Case COMP/B1/AT.39849-BEH Gas is BGN 52,720 thousand, representing one third of the total amount of the pecuniary sanction imposed on BEH EAD, Bulgartransgaz EAD and Bulgargaz EAD. Case COMP/B1/AT.39849 — BEH gas concerns a possible violation of Article 102 of the Treaty on the Functioning of the European Union (TFEU) in connection with allegations by the European Commission (EC) concerning the actions of Bulgarian Energy Holding EAD and its subsidiaries — Bulgargaz EAD and Bulgartransgaz EAD aimed at:

- preventing their competitors from gaining an access to key gas infrastructure (gas transmission network and natural gas storage facility) in the Republic of Bulgaria, such as explicitly or implicitly denying third parties access or causing delays;
- preventing competitors from gaining an access to the main import pipeline by reserving capacity that remains unused. The proceedings were instituted in 2013 with a view to adopting a decision under Chapter 3 (Articles 7 to 10) of Regulation 1/2003. On 23 March 2015, the European Commission issued a Statement of Objections. Bulgarian Energy Holding EAD and its gas subsidiaries submitted their respective responses to the European Commission on 9 July 2015 (Bulgargaz EAD), 10 July 2015 (Bulgarian Energy Holding EAD) and 17 July 2015 (Bulgartransgaz EAD).

On 24 November 2017, a decision was adopted by the 44th National Assembly (NA) of the Republic of Bulgaria to take the necessary actions to close Case COMP/B1/AT.39849 — BEH gas, whereby the National Assembly supported the closure of the case under Article 7 of Regulation (EC) No 1/2003 without acknowledging the infringements alleged by the European Commission and without taking responsibility for them, fulfilling the obligations arising from a possible prohibition decision, including a possible financial penalty.

On 26 July 2018, a decision was adopted by the 44th National Assembly (NA) of the Republic of Bulgaria to take action to close Case COMP/B1/AT.39849 — BEH gas under Article 9 of Regulation (EC) No 1/2003 by undertaking commitments on the part of Bulgaria and reaching an agreement with the European Commission. The second decision of the National Assembly was motivated by the development of case COMP/B1/AT.39816 between the European Commission and PJSC Gazprom and OOO Gazprom Export, on which on 24 May 2018 the

Commission announced that an agreement had been reached and closed under the provisions of Article 9 of Regulation (EC) No 1/2003 without imposing a financial sanction on PJSC Gazprom and OOO Gazprom Export.

On 17 December 2018, the European Commission announced its adopted Decision C(2018)8806 in Case COMP/B1/AT.39849–BEH Gas, whereby the European Commission imposed a fine on Bulgarian Energy Holding EAD (BEH EAD), its supply subsidiary Bulgargaz EAD and its gas infrastructure subsidiary Bulgartransgaz EAD (BEH Group) in the amount of EUR 77,068 thousand for allegedly blocking competitors' access to key gas infrastructure in Bulgaria in violation of EU antitrust rules. The decision was received in the offices of the three companies on 19 December 2018, which determines the beginning of the period for appealing the EC Decision (two months and ten days from notification of the Decision to the Parties) and for payment of the fine (three months from the notification of Decision to the Parties), set out therein.

Appealing the decision does not stop the execution of the decision and the corresponding sanction.

On 18 March 2019 a bank guarantee was issued by a selected banking institution through a procedure conducted by Bulgarian Energy Holding EAD. The bank guarantee covers 2/3 of the total amount of the fine in the amount of EUR 77,068 thousand, which secures the obligations of Bulgarian Energy Holding EAD and Bulgargaz EAD under the imposed fine.

On 4 July 2019, the Bulgarian state, through the Ministry of Foreign Affairs, submitted an application to intervene in the case.

On 26 August 2019, the European Commission presented its defense before the General Court in response to an appeal lodged by Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD.

On 29 November 2019, Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD filed a Response against the Defense of the European Commission.

On 20 February 2020 within the specified period by the General Court of the European Union the Republic of Bulgaria through the Ministry of Foreign Affairs (MFA) filed the official position of the Republic of Bulgaria in case T-136/19, provided to the Ministry of Foreign Affairs by the Ministry of Energy, whereby the Bulgarian state intervenes in support of Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD v. European Commission before the General Court of the European Union.

The General Court examined additional documents and requested information in order to clarify all the circumstances attached to the case. By letter of 14 March 2022, the Court requested the European Commission to provide non-confidential versions of the documents listed by the Court. A response from the European Commission is expected.

On 29 September 2022 a hearing on the Case BEH Gas (Case T-136/19 of the General Court of the EU) was held, at which the Court heard the parties and Bulgaria's position on the case was presented. After the hearing, the court asked the parties to submit additional documents, and the deadline for this was extended to 25 November 2022.

On 25 October 2023, the Court of First Instance rendered a judgment in favour of Bulgarian Energy Holding EAD, Bulgartransgaz EAD and Bulgargaz EAD, by which the Court of First Instance annulled in full the fine imposed by the European Commission on the three companies of the BEH Group, which amounted to EUR 77,068 thousand.

On 10 January 2024, an appeal was lodged by the European Commission against the judgment of the Court of First Instance, seeking to set aside the judgment of the General Court in its entirety. Due to the retaliatory actions taken by the EC and the appeal of the European Court of Justice's decision, the management of BEH Group has decided not to reimburse the recognised provision until the case is finally resolved. This decision is supported by the opinion of an independent legal advisor. The Company has recognised interest expense of BGN 615 thousand. (2022: BGN 754 thousand) as an increase in the amount of the interest provision related to the maintenance of collateral in the form of a bank guarantee.

As at 31 December 2023, the bank guarantee securing the obligations of Bulgarian Energy Holding EAD, Bulgartransgaz EAD and Bulgargaz EAD has been released.

The carrying amount of the provision in the lawsuit is BGN 53,715 thousand, including principal of BGN 50,244 thousand (31 December 2023: BGN 50,244 thousand), representing one third of the total amount of the fine imposed and interest thereon as at 25 October 2023 amounting to BGN 3,471 thousand. (31 December 2023: BGN 3,471 thousand). Management's expectation is that final resolution of the dispute will occur more than 12 months from the balance sheet date. In 2024, no interest was charged on the fine imposed.

On 10 December 2025, an oral hearing took place before the Court of Justice of the European Union in Luxembourg, during which the parties presented their main arguments and answered to questions from the judges. On 23 April 2026, the Advocate General delivered his opinion in the case. A final ruling by the Court of Justice of the European Union is expected by the end of 2026; consequently, the provision has been reclassified as a current liability.

As well as a provision recognised for a legal obligation relating to *Case COMP/B1/AT.39849 – BEH gas*, a lease liability and retirement benefit obligations.

IX. STATEMENT OF CASH FLOWS

The table shows data on changes in cash flows as at 31 December 2025, compared to 31 December 2024:

Statement of cash flows	As at 31 December 2025	As at 31 December 2024	Change	
	000'BGN	000'BGN	000'BGN	%
Net cash flows from operating activity	(148,943)	(104,713)	(44,230)	(29.70%)
Net cash flows from investing activity	(258)	(402)	145	55.81%
Net cash flows from financing activity	151,765	104,154	47,612	(31.37%)
Net change in cash and cash equivalents during the period	**2,564**	**(961)**	**3,529**	**(137.48%)**
Cash and cash equivalents at the beginning of the period	**1,255**	**2,269**	**(1,014)**	**80.80%**
Exchange profit/loss on cash and cash equivalents	**(1,053)**	**(53)**	**(1,000)**	(94.97%)
Impairment of cash under IFRS	**(3)**	**(1)**	**(2)**	**(66.67%)**
Cash and cash equivalents at the end of the period	**2,763**	**1,254**	**1,513**	**(54.61%)**

The net cash flow from operating activities of the Company as at 31 December 2025 was negative in the amount of BGN 148,943 thousand (as at 31 December 2024: negative in the amount of BGN 104,713 thousand) It is formed by the difference between the proceeds from customers for sold natural gas and the amounts paid to natural gas suppliers for the period.

Net cash flows from investing activities are negative in the amount of BGN 258 thousand, which represents a decrease by BGN 145 thousand compared to 31 December 2024.

Net cash flows from financial activities are positive in the amount of BGN 151,765 thousand (as at 31 December 2024: positive in the amount of BGN 104,154 thousand), which is due to proceeds from banks on overdrafts.

X. FINANCIAL RATIOS

These are indicators based on the financial statements that aim to provide an overall assessment of the financial position, the profitability and the efficiency in the use of assets to meet operational goals.

1. Liquidity

Liquidity ratios represent the ability of the Company to repay its current liabilities with available current assets.

Indicators	As at 31 December 2025	As at 31 December 2024
Current liquidity ratio	1.05	1.28
Quick liquidity ratio	0.90	1.07

The current liquidity ratio as at 31 December 2025 is 1.05, which shows that the available current assets can cover one time the current liabilities of the Company (as at 31 December 2024: 1.28).

The quick liquidity ratio is 0.93, which shows that the available current assets reduced by inventories can cover 0,93% of the current liabilities of the Company (as at 31 December 2024: 1.07).

2. Solvency

The indicators of solvency show the degree of financial autonomy (solvency) of the Company from creditors and its ability to meet payments on all liabilities in the long run.

Indicators	As at 31 December 2025	As at 31 December 2024
Solvency ratio	(0.22)	(0.10)
Debt ratio	(5.54)	(9.98)

When the financial autonomy ratio is below 1 (one) there is an excess of liabilities to equity. In this case, the existing liabilities are not sufficiently secured by the equity of the Company. When the ratio is above 1 (one) it shows the degree of solvency from the use of foreign funds. The solvency ratio as at 31 December 2025 is -0.22 (as at 31 December 2024: -0.10).

The debt ratio expresses the degree of dependence of the Company on creditors. When the ratio is greater than 1 (one), the Company's dependence on external sources of funds is greater. This indicator as at 31 December 2025 is -5.54 (as at 31 December 2024: -9.98).

3. Cost-effectiveness ratio

Indicators	As at 31 December 2025	As at 31 December 2024
Cost-effectiveness ratio	0.861	0.826

The results of the calculation of cost-effectiveness ratios allow to determine how much revenue the enterprise receives from the use of a unit of expenditure for the same activity. The coefficient is assumed to be a minimum. It is favourable for the enterprise that the cost efficiency ratio grows.

XI. NON-FINANCIAL INFORMATION

1. Non-financial resources

In the current globalised environment and highly competitive environment, one of the pillars of the Company's strategic management is the focus on the financial dimension of value associated with intangible resources. In order to create sustainable long-term benefits, we analyse key issues related to the management of intangible resources by implementing practices to identify and measure them.

The Company's intangible resources consist of the licences, permits and certificates obtained for and in the course of its principal business related to public natural gas supply and trade as disclosed in Part I. GENERAL COMPANY INFORMATION of this report.

They are as follows:

- an individual licence for public supply of natural gas on the territory of Republic of Bulgaria — Licence No. JI-214-14 [L-214-14] of 29 November 2006, issued by the State Energy and Water Regulatory Commission for a period of 35 years. As at 16 September 2021, the Company holds a Natural Gas Trading Licence No JI-548-15 [L-548-15] of 16 September 2021 issued by the Energy and Water Regulatory Commission by virtue of Article 31, paragraph 1, item 1, in connection with Article 39, paragraph 5, second sentence of the Energy Act.
- a licence for trading in natural gas on the territory of the Hellenic Republic under Decision No 247/2020 — indefinite and Decision No 311/2022 for wholesale trading in natural gas on the territory of the Hellenic Republic for a period of 20 years and trades in natural gas on the Hellenic Energy Exchange (ENEX).
- On 20 June 2023, by Decision No 0024/2023/P-PE of the Vice President of the Regulatory Office for Network Industries, Slovak Republic, a Permit No 2023P 0370 was issued to Bulgargaz EAD for carrying out activities in the energy sector — gas supply. The validity period of the permit is indefinite.
- By Decision No 2274/29 October 2024 of the President of the National Agency for Energy and Water Regulation (ANRE), the economic operator Bulgargaz EAD was confirmed the right to participate in the natural gas markets in Romania for the supply of natural gas activity. The decision is for a period of 1 (one) year.
- By Decision No 2274/29 October 2024 of the President of the National Agency for Energy and Water Regulation (ANRE), Bulgargaz EAD was confirmed the right to participate in the natural gas markets in Romania for the supply of natural gas activity. The decision was for a period of 1 (one) year. From April 2024, Bulgargaz EAD performs sales of quantities of natural gas to the Romanian gas stock exchange. By Decisions No 2079 of 30 September 2025 and No 2309 of 4 November 2025 of the President of the National Agency for Energy and Water Regulation (ANRE), the right of Bulgargaz EAD to participate in the natural gas markets in Romania has been extended until 29 October 2030.
- On 12 December 2024 by Decision No H4955/2024 the Hungarian Energy and Public Utility Regulatory Authority granted Bulgargaz EAD a licence to trade in natural gas in Hungary. This licence shall be valid from the date of notification for an indefinite period of time, provided that the licence holder is actually and lawfully carrying on gas trading activities in a Member State of the European Union or in another State party to the Agreement on the European Economic Area and holds an operating licence for a specified period of time. From 4 September 2025, Bulgargaz EAD is a registered participant also on the Hungarian gas exchange CEEGEX.

- In June 2025, Bulgargaz EAD registered its subsidiary under the name Bulgargaz North, through which it will perform the activity of trade in natural gas in the territory of Moldova. On 19 August 2025, by a Resolution of the Regulator of the Republic of Moldova, Bulgargaz North obtained a licence for trade in the Republic of Moldova. In July 2025, Bulgargaz EAD entered into a standardised supply contract (EFET agreement) with the Moldovan company Energocom S.A. The purpose of the concluded contract is the access and the provision of a possibility for participation of Bulgargaz EAD in the tenders organized by Energocom S.A , financed either through the borrowing granted to them by the EBRD for the purchase of natural gas or through their own funds.

Bulgargaz EAD is a registered user of the gas transmission networks of Bulgartransgaz EAD-Bulgaria, ICGB Bulgaria, DESFA SA-Greece, TRANSGAZ SA-Romania, ICGB Bulgaria, GASTRANS d.o.o. — Serbian , FGSZ Hungary, Gas Transmission System Operator of Ukraine — Ukraine:

These resources cannot be autonomously measured and transferred, but contribute to promoting and integrating the value.

2. Environmental systems, policies and regulations.

Bulgargaz EAD, as a public supplier of natural gas, does not carry out any production activities and does not have any production facilities with environmental impact. The Company does not own infrastructure facilities (linear and site facilities), but only uses services in connection with the operation of these facilities, provided by the operator of these facilities — Bulgartransgaz EAD. Bulgargaz EAD carries out only commercial activity — purchase of natural gas for the purpose of its sale to customers.

In view of the above, the Company mainly uses electricity to administer its operations and fuel for its company vehicles (diesel), which have a direct bearing on environmental pollution.

The Company participates in the 'Sustainability Committee' as required by section 1.3 of the Environmental and Social Action Plan (ESAP) with its representatives appointed by Order of the Executive Director of Bulgarian Energy Holding EAD (BEH EAD). The Company submits corporate, environmental and social information annually and upon request by BEH EAD.

The Sustainable Energy Development Agency (the Agency) [SEDA], with the status of an executive agency of the Ministry of Energy (MoE), is responsible for carrying out activities to implement the state policy for increasing the energy efficiency of the country, providing energy services and improving their quality of supply. According to the provisions of the Energy Efficiency Act (EEA), Bulgargaz is included in the list of obliged entities under Article 14a, paragraph 4, item 3. The obligations of Bulgargaz arising from the Energy Efficiency Act are expressed in the annual provision of information to the SEDA regarding the quantities of energy sold to end customers, on the basis of which individual energy savings targets are set and reporting on their implementation. As at 01 June 2024 Bulgargaz has realized 100% of the individual targets set by the SEDA for the period 2021—2024. The performance has been achieved through a survey of Bulgargaz customers and calculated according to the Methodology for estimation of energy savings after fuel switching to natural gas (gasification), approved by Order № Е – РД –16 – 90/2022 [E – RD –16 – 90/2022] of the Minister of Energy and through the purchase of energy savings from an obliged person from the list of obliged persons under Article 14a, paragraph 4 of the EEA, as a result of a transparent procedure for the purchase of long-term energy savings. In this way, Bulgargaz meets both its individual targets and the cumulative ones regulated through an energy savings obligation scheme and alternative measures to ensure the achievement of an overall cumulative energy savings target for final energy consumption for the period from 1 January 2021 to 31 December 2030.

3. Monitoring of environmental indicators and resources used in the production process.

Indicators	Unit of measurement	Value
CO_2	**Tons of CO2/ for the period 2021—2025 (as at 31 December 2025)**	242,680
Electricity	tonnes of Co2 emitted	42,601
Diesel fuel company vehicles	tonnes of Co2 emitted	6,963

Year	Electricity consumption in kWh	Emission factor (gr CO2/kWh)	tonnes of Co2 emitted
2021	66,695	**404**	26.945
2022	79,632	**517**	41.170
2023	78,200	**517**	40.429
2024	83,973	513	43,036
2025	83,206	512	42.601

Gas/Diesel Oil for a three-year period	Fuel consumed in litres	emission factor (t CO_2/l)	tonnes of Co2 emitted
2021	6,644	0.00272	18.09
2022	3,624	0.00272	9.87
2023	2,979	0.00272	8.11
2024	2,009	0,00272	5,47
2025	2,598	0.00268	6.963

4. Staff allocation

Allocation of staff according to the national classification of occupations and positions:

	Number
Heads	12
including women	7
Specialists	32
including women	24
Technicians and application specialists	4
including women	-
Administrative support staff	2
including women	2
Heads	-
including women	-
Machine operators and assemblers	3
including women	-
Occupations not requiring special qualifications	3
including women	3

4.1. Distribution of staff according to education completed:

	Number
Higher education	46
including women	33
Secondary education	10
including women	3

4.2. Distribution of staff according to age:

	Number
Age 18–30 years	6
including women	3
Age 31–40 years	10
including women	4
Age 41–50 years	20
including women	16
Age 51–60 years	15
including women	10
Age over 60 years	5
including women	3

5. Professional development and social costs. Reported results:

Indicators	**Value / BGN thousand/**
Training, qualifications and seminars	16
Donations and social events	10
Social costs incl.:	1 655
Free food, work clothes, personal protective equipment	654
Medical service	37
Other	964

Indicators	**Number**
Training conducted	13
Medical examinations conducted	1
Measurement of work environment factors	1
Occupational accidents	0
Other	0

6. Energy Sector Anti-Corruption Plan.

In Bulgargaz EAD, in accordance with the current Internal Rules with anti-corruption focus ‘Rules for internal reporting of violations and follow-up actions on them’ (the Rules), the procedure, manner and conditions for receiving, registering and examining reports are defined. These have been developed in accordance with Article 14

of the Whistleblower or Whistleblower Protection Act, adopted and approved by the Company's Board of Directors as appropriate.

The employees of the Company are familiar with the Rules available in the internal information system of Bulgargaz EAD and have certified the above with their signatures.

The information channels provided are checked daily for whistleblowing and a summary report is made to the Company's CEO on a six-monthly basis.

For the year 2025, there were no whistleblower reports filed, respectively registered and considered, with the Company.

7. Key risks relating to environmental and social issues, employees, respect for human rights, anti-corruption and bribery that are relevant to the company's activities and that are likely to cause adverse impacts in these areas, and how the company manages these risks.

- *Regarding risks related to environmental issues, accidents and disasters:*

  As a public supplier and trader of natural gas, Bulgargaz EAD does not carry out any production activities and has no production facilities that have an impact on the environment. The Company does not own infrastructure facilities (linear and non-linear), but only uses services related to their operation provided by the operators of these facilities. Bulgargaz EAD carries out only commercial activity — purchase of natural gas for the purpose of its sale to customers. In view of this, the company is not subject to environmental requirements.

  The Company has developed a 'Disaster and Accident Protection Plan' based on the Disaster Protection Act which is updated as and when required. The main objectives in developing the plan are:

  - ✓ Performing disaster risk analyses and assessments for disasters occurring on the Company's premises and identifying preventive measures to reduce the adverse impact resulting from disasters, organizing and coordinating actions to prevent or reduce the consequences of the disaster;
  - ✓ Establishment of a preliminary organization of a working group at Bulgargaz EAD to implement a package of preventive measures to protect the life and health of the Company's personnel and/or reduce the impact of harmful factors arising as a result of disasters.
  - ✓ Orders have been issued in connection with the Disaster Protection Act and the Ordinance on Fire Safety Rules for Operation of Establishments, regulating the procedure and the persons responsible for general management, coordination and control, in order to protect the company's employees in the event of disasters and accidents.
  - ✓ The company has provided twenty-four hour, continuous physical security with access control.

  This ensures the implementation of the measures set out in the National Disaster Protection Plan of the Republic of Bulgaria.

- *On risks related to social issues, respect for human rights, anti-corruption and anti-bribery:*

  We have a Human Resource Management Strategy for the Company in place;

  The working environment in the office of Bulgargaz EAD is standard and is not characterized by increased risk to health and safety at work.

  The Company complies with the legal requirements for ensuring healthy and safe working conditions introduced by the current regulations in this area. To this end, we have a contract with

the Occupational Health Service, which provides regular preventive examinations of employees as well as measurements of certain factors in the office environment. Also in accordance with the statutory provisions of the Occupational Health and Safety Act (OHSA), all employees of the company undergo any relevant instruction/training to comply with the OHSA.

In order to cover the social needs of the employees under Article 294 of the Labour Code, the employer has issued an internal order providing for a social package for the employees of the company within the framework of the above-mentioned legal provisions.

The Company observes and promotes respect for internationally recognised human rights and considers the protection of the integrity, health, rights and welfare of its employees to be an element of paramount importance to the performance and development of its business.

The Company's activity is guided by established ethical rules of conduct, and to this end, the Company is committed to managing its human resources activities in accordance with established standards, not to use or support the exploitation of child labour, to provide equal development opportunities for each of its employees, and not to tolerate discriminatory behaviour and actions.

In this regard, the Company has adopted and implemented internal rules and procedures, in particular:

- ✓ Recruitment, selection and appointment rules;
- ✓ Internal payroll rules;
- ✓ Internal Rules of Procedure;
- ✓ A code of ethics with an established complaint mechanism.
- ✓ Adopted and in force 'Internal Rules for Registration and Handling of Reports of Corruption and/or Conflict of Interest and for the Protection of Whistleblowers to Bulgargaz EAD', duly introduced by order, regulation and reporting deadlines.

This ensures a good environment for the Company's staff to perform their work duties.

XII. FINDINGS AND CONCLUSIONS

The information as presented and analysed in the Activity Report of Bulgargaz EAD as at 30 June 2025 shows that the Company fulfils its licence obligations as a public supplier and a trader of natural gas on the territory of the Republic of Bulgaria in full compliance with the requirements of the regulations.

The activity is directly dependent on the business environment, the regulatory requirements and the financial security of the Company.

Regardless of the dynamic market conditions during the period under consideration, Bulgargaz EAD strives to respond adequately to market challenges.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

The following significant non-adjusting events have occurred after the balance sheet date of 31 December 2025:

1/Under the Euro Introduction Act in the Republic of Bulgaria, with effect from 1 January 2026, the official currency and legal payment instrument in the Republic of Bulgaria shall be the euro. The fixed exchange rate is BGN 1.95583 to EUR 1. The introduction of the euro as the official currency of the Republic of Bulgaria constitutes a change in the functional currency, which will be recognised prospectively and does not constitute a post-balance-sheet adjusting event.

2/ Bulgargaz has entered into a contract with Bulgargaz North for the sale of natural gas, under which Bulgargaz acts as the Seller and Bulgargaz North SRL as the Buyer. In January 2026, the subsidiary of Bulgargaz EAD in Moldova — Bulgargaz North SRL — began selling natural gas via the Bursa Română de Mărfuri (BRM) electronic trading platform in Moldova.

3/ Following a tender procedure to select a financial service provider for granting a borrowing to cover operating expenses, in the form of an overdraft, in January 2026 Bulgargaz EAD entered into agreements with four commercial banks, with a total limit of EUR 111 million.

4/ Since the end of February, there has been an escalation in tensions linked to a military conflict in Iran, which is contributing to increased geopolitical uncertainty in the region and globally. As a result of the military conflict that broke out in the Middle East in early March, there has been a sharp rise in the TTF index, which will affect spot deliveries of liquefied natural gas and oil prices, and this will have a longer-term impact on supply prices under the long-term contract with the Azeri company. The management monitors the development of the situation and has taken the available information into account when preparing its accounting estimates and assumptions; at present, no need for adjustments to the financial statements has been identified, apart from those already disclosed.

5/ On 28 May 2026, a change to the composition of the Board of Directors of 'Bulgarian Energy Holding' was entered in the Commercial Register; the new members are Andrey Zhivkov, Ivo Todorov, Petar Angelov, Vasil Vasilev and Ilza Chinkova.

There are no adjusting and other non-adjusting events occurring after the reporting period date that require additional disclosure or adjustments as of 31 December 2025.

Date: 29 May 2026

Iliyana Grigorova Teneva

Digitally signed by Iliyana Grigorova Teneva
Date: 2026.06.22 14:01:36 +03'00'

Iliyana Teneva

Chief Accountant

Veselin Sashev Sinabov

Digitally signed by Veselin Sashev Sinabov
Date: 2026.06.22 14:43:24 +03'00'

Veselin Sinabov

Executive Director

STATEMENT

OF CORPORATE GOVERNANCE

OF

BULGARGAZ EAD

31 DECEMBER 2025

I. GENERAL PROVISIONS

This Statement of Corporate Governance provides information on the business model of Bulgargaz EAD (the Company), a description of the policies followed, the outcome of the policies and the principal risks relevant to the Company's activities, non-financial key performance indicators relevant to the specific business.

This Statement of Corporate Governance has been prepared in compliance with the requirements of Article 40, paragraph 1 of the Accounting Act and according to Article 100n, paragraph 8 in conjunction to paragraph 7, item 1 of the Public Offering of Securities Act (POSA) and it is published as a Note to the annual report of the company for the year 2025.

II. DESCRIPTION OF THE COMPANY'S BUSINESS MODEL

Bulgargaz EAD (the Company) is a sole owner joint stock company, registered in accordance with the Commerce Act with registered office and address of management in the Republic of Bulgaria, Sofia region, Sofia Municipality, Sofia 1000, Serdika district, 47 Petar Parchevich St.

Bulgargaz EAD shall operate in accordance with the provisions of the Commerce Act, the Public Enterprises Act, the Regulations for the Implementation of the Public Enterprises Act and other regulations in force in the Republic of Bulgaria. BULGARGAZ EAD is a sole-owned joint stock company, whose share capital is 100% owned by Bulgarian Energy Holding EAD. The ultimate owner of the Company is the Bulgarian Republic, through the Minister of Energy.

The Company has a one-tier management system. The Company’s authorities are:

- The sole owner of the capital who decides on the issues within the competence of the General Meeting;
- Board of Directors, which has managerial, representative and control functions.

It is represented by an executive member of the Board of Directors (Executive Director).

The registered capital of the Company is divided into 231,698,584 ordinary, registered, non-preference shares with voting rights with a nominal value of BGN 1 (one lev) each. The amount of the capital is subscribed and fully paid by the sole owner of the capital — Bulgarian Energy Holding EAD.

The company is active in public supply of natural gas and related purchase and sale, purchase of natural gas for storage in a gas storage plant, market research and analysis of the natural gas market in the country. The Company does not carry out research and development activities.

Bulgargaz EAD holds a licence for public supply of natural gas on the territory of the country issued by the State Energy and Water Regulatory Commission (EWRC) on 29 November 2006 for a period of 35 years.
Pursuant to Article 21, paragraph 1, item 1 and in connection with Article 39, paragraph 1, item 5, second proposal of the Energy Act, with a decision of the Energy and Water Regulatory Commission (EWRC) dated 16 September 2021, No Л-548-15 [L-548-15] a licence for trade in natural gas No A0435 for a period of 10 years is issued to Bulgargaz EAD.
The Company also holds a perpetual licence for trading in natural gas in the territory of the Hellenic Republic under Decision No 247/2020 and Decision No 311/2022 for trading in natural gas in the territory of the Hellenic Republic for a period of 20 years.
By Decision No 2274/29 October 2024 of the President of the National Agency for Energy and Water Regulation (ANRE), the economic operator Bulgargaz EAD was confirmed the right to participate in the natural gas markets in Romania for the supply of natural gas activity. The decision is for a period of 1 (one) year. From April 2024, Bulgargaz EAD performs sales of quantities of natural gas to the Romanian gas stock exchange. By Decisions No 2079 of 30 September 2025 and No 2309 of 4 November 2025 of the President of the National Agency for Energy and Water Regulation (ANRE), the right of Bulgargaz EAD to participate in the natural gas markets in Romania has been extended until 29 October 2030.
On 12 December 2024 by Decision No H4955/2024 the Hungarian Energy and Public Utility Regulatory Authority granted Bulgargaz EAD a licence to trade in natural gas in Hungary. This licence shall be valid from the date of notification for an indefinite period of time, provided that the licence holder is actually and lawfully carrying on gas trading activities in a Member State of the European Union or in another State party to the Agreement on the European Economic Area and holds an operating licence for a specified period of time. From 4 September 2025, Bulgargaz EAD is a registered participant also on the Hungarian gas exchange CEEGEX.

In June 2025, Bulgargaz EAD registered its subsidiary under the name Bulgargaz North, through which it will perform the activity of trade in natural gas in the territory of Moldova. On 19 August 2025, by a Resolution of the Regulator of the Republic of Moldova, Bulgargaz North obtained a licence for trade in the Republic of Moldova. In July 2025, Bulgargaz EAD entered into a standardised supply contract (EFET agreement) with the Moldovan company Energocom S.A. The purpose of the concluded contract is the access and the provision of a possibility for participation of Bulgargaz EAD in the tenders organized by Energocom S.A , financed either through the borrowing granted to them by the EBRD for the purchase of natural gas or through their own funds.

On 24 July 2025, Bulgargaz EAD entered into a framework EFET agreement also with the state company Naftogaz Ukraine, which also enables Bulgargaz to participate in the tenders organised by them. These tenders are organised with delivery points at the exit points of the gas transmission networks of countries neighbouring Ukraine; following participation in several tenders, it was found that transmission costs of Bulgargaz to such points significantly exceed those of other companies located in the immediate vicinity of Ukraine, and that prices of Bulgargaz are not competitive. In addition, with a view to sales in Romania, Moldova and

Ukraine, Bulgargaz has reserved annual capacities on these routes, which also proved to be uncompetitive following the adoption of decisions by several regulatory authorities (Greece, Bulgaria, Romania, Moldova and Ukraine) to announce route products (capacities) from the Greece virtual trading point to Ukraine at a significant discount compared to the approved standard capacity products.
Bulgargaz EAD is a registered user of the gas transmission networks of Bulgartransgaz EAD-Bulgaria, ICGB Bulgaria, DESFA SA-Greece, TRANSGAZ SA-Romania, ICGB Bulgaria, GASTRANS d.o.o. — Serbian , FGSZ Hungary, Gas Transmission System Operator of Ukraine — Ukraine:

Regulatory acts governing the Company's activities:

- Energy Act (EA), promulgated in SG, issue No 107 of 09 December 2003, amend. No 102 of 23 December 2022, effective from 01 January 2023;
- Ordinance No 2 of 19 March 2013 on Natural Gas Price Regulation, issued by the State Energy and Water Regulatory Commission, promulg. State Gazette, Issue No 33 of 05 April 2013, amend. No 95 of 3 December 2019 (Ordinance 2 of 19 March 2013);
- Ordinance No 3 of 21 March 2013 on Licensing the Activities in the Energy Sector, issued by the President of the State Energy and Water Regulatory Commission, promulgated by the State Gazette, No 33 of 05 April 2013, as amended and supplemented, No 25 of 29 March 2022 (Ordinance 3 of 21 March 2013);
- Rules for trading with natural gas, adopted by the EWRC by decision under Minutes No 137 of 07 July 2015 under item 1, promulg. SG, No 59 of 04 August 2015, amend. No 57 of 19 July 2019;
- Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010;
- Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas;
- Council Regulation (EU) 2022/2578 of 22 December 2022 establishing a market correction mechanism to protect Union citizens and the economy against excessively high prices;
- Council Regulation (EU) 2022/2576 of 19 December 2022 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders;
- Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005;
- Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks;
- Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a Network Code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013.

III. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 1 of the POSA

Bulgargaz EAD shall, as appropriate, comply with the National Code of Corporate Governance in the edition adopted by the by the National Corporate Governance Commission on 1 July 2021, approved by the Financial Supervision Commission under Article 100n, paragraph 8, item 1, letter a) of the Public Offering of Securities Act with Decision No 850-КК У of 25 November 2021.

The Code is applied on the 'observe or explain' principle, i.e. in case of deviation the management shall clarify the reasons for this.

The implementation of the National Code of Corporate Governance is an expression of management's commitment to introduce and implement the Standards for Good Corporate Governance included in the Organisation for Economic Co-operation and Development Guidelines on Corporate Governance of Public Enterprises. The Company complies with the established principles and norms of corporate governance and fulfils the disclosure and transparency obligations set out in the regulations applicable to its activities. The Company will continue to strictly comply with these norms and principles.

IV. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 2 of the POSA

The bylaws of the sole owner of the capital of the Company — Bulgarian Energy Holding EAD, do not specify the number of companies in which the members of the Board of Directors may hold management positions, nor do they limit the number of consecutive mandates of independent members of the Board of Directors. However, good practices are followed, without a legal requirement, to prevent a high concentration of control functions in one person in terms of individual companies.

The remuneration of the Board of Directors of Bulgargaz EAD is determined by the terms and conditions of the Regulations on the implementation of the Public Enterprises Act. Remunerations other than those specified in the Regulations are not allowed.

Bulgargaz EAD protects the rights of shareholders described in Chapter Three of the National Code of Corporate Governance, as long as there are no restrictions in their application in connection with the presence of one shareholder — Bulgarian Energy Holding EAD (the ultimate owner — the Bulgarian state).

Bulgargaz EAD has no approved disclosure policy. The Company strictly observes the requirements for disclosure of information regarding the term and completeness in accordance with the Bulgarian legislation and observing the instructions of the Minister of Energy. Information on the annual, half-yearly and quarterly financial statements, activity reports is published on the Company's website, on the website of the Ministry of Finance and through the web-based electronic information system for public enterprises of the Agency for Public

Enterprises and Control.

Important and substantial information for its activity —which constitutes public information in terms of the Access to Public Information Act — is periodically published on the Company's website.

Bulgargaz EAD does not have approved rules for taking into account the interests of the stakeholders, but on all issues that directly or indirectly concern them, the relevant conciliation procedures are carried out.

V. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 3 of the POSA

1. Internal Audit Unit

By decision of the Board of Directors dated 18 June 2015, Bulgargaz EAD has established an Internal Audit Unit, which has been established as an independent department under the direct supervision of the Executive Director. The internal audit activity is performed in accordance with the requirements of the Internal Audit in the Public Sector Act. By decision of the Board of Directors of Bulgargaz EAD under item 2.1 of Minutes No 321 dated 21 December 2017 the statute of the Internal Audit Unit was approved, respectively the current statute of the Internal Audit Department was revoked /item 2.3 of Minutes No 321 dated 21 December 2017. Audit engagements for assurance and consulting are performed in Bulgargaz EAD.

The internal audit assists the management and employees of Bulgargaz EAD to achieve its objectives by:

- Identifying and assessing the risks in the Company with a view to allocating audit resources for maximum coverage of the audit environment;
- Assessing the adequacy and effectiveness of the financial management and control system with regard to:
  a) the identification, assessment and risk management by the management of Bulgargaz EAD;
  b) compliance with legislation, internal acts and contracts;
  c) the reliability and comprehensiveness of financial and operational information;
  d) the efficiency, effectiveness and economy of the activities;
  e) protection of assets and information;
  f) fulfilment of tasks and achievement of goals.
- Giving recommendations for improving the activities of Bulgargaz EAD.

2. Financial Management and Control System

By Decision under item 1.1 of Minutes No 210 dated 14 April 2016 of the Board of Directors the Financial Management and Control System of Bulgargaz EAD was adopted (FMCS).

By Decision under item 2.1 and item 2.2 of Minutes No 322 dated 29 December 2017 of the Board of Directors of Bulgargaz EAD, the Financial Management and Control System of Bulgargaz EAD, adopted by a decision under item 1.1 of Minutes No 210 dated 14 April 2016 of the Board of Directors of Bulgargaz EAD has been revoked.

On 29 December 2017, the Financial Management and Control System of Bulgargaz EAD was approved by Decision under item 2.1 and item 2.2 of Minutes No 322 dated 29 December 2017 of the Board of Directors, which entered into force on 09 January 2018, amended and supplemented by Decision under item 2 of Minutes No 774/10 March 2023 of the Board of Directors, approved by order of the Executive Director on 13 March 2023.

The purpose of the FMCS is to provide reasonable assurance that the Company's objectives have been achieved through:

- compliance with the legislation, the internal acts of the Company and the concluded contracts, reliability and comprehensiveness of financial and operational information,
- economy, efficiency and effectiveness of activities,
- protection of assets and information.

The control environment includes:

- personal integrity and professional ethics of the employees in the Company,
- management philosophy and style of work,
- organizational structure ensuring division of responsibilities, hierarchy and clear rules, rights, obligations and levels of reporting,
- human resources management policy,
- competence of the staff.

3. БДС [BDS] EN ISO 9001:2015 management system

Since 04 June 2019, in connection with the implementation of its activities Bulgargaz EAD has been certified under БДС [BDS] EN ISO 9001:2015 Management System in accordance with the procedures of the Certification Body for Management Systems at TÜV NORD Bulgaria EOOD. The main procedure 610-01 'Context of the organization and management of risks and opportunities' concerning the risk management policies in the Company is an integral part of the management system.

An integral part thereof are the risk management policies and procedures in Bulgargaz EAD.

The risk management policy aims to regulate the general framework of risk management processes. In general, it is a set of measures aimed at reducing the risk of errors at the stage of management decision-making and to minimize the possible negative consequences of the adopted decision at other stages of activity. In addition, the policy sets out the basic principles

and practices for implementing risk management processes. The risk management policy identifies, assesses and manages the risks in the Company, assesses the adequacy and effectiveness of the financial management and control systems in the Company. The risk management strategy provides:

- Systematic and synchronous application of a unified risk management model in Bulgargaz EAD with common terminology, rules and procedures;
- Creating the necessary prerequisites for a successful risk management process; Raising awareness of risk management and focusing on key risk areas in the implementation of management functions;
- Stimulating the introduction and implementation of adequate and effective control mechanisms;
- Focusing the attention of the Company's managers on potential events that may negatively affect the achievement of strategic and operational objectives, possible ways to reduce their negative impact and the likelihood of their occurrence;
- Providing information about potential events, possible ways to reduce their negative impact and the likelihood of occurrence;
- Identification of the risks that may affect the lawful, efficient, effective and economical course of activities in the Company;
- Optimal use of the resources necessary for the implementation of the Company's activities;
- Protection of the institutional image and reputation of Bulgargaz EAD.

Control activities include written policies and procedures designed to give reasonable responsibility that risks are limited within the tolerances set in the risk management process. Control activities include:

- authorization and approval procedures,
- division of responsibilities in a way that does not allow one employee to have responsibility for approval, implementation, accounting and control at the same time,
- a double-signature system which does not allow a financial commitment or payment to be made without the signatures of the Executive Director and the person responsible for the accounting entries,
- rules for access to assets and information,
- procedures for full, accurate, correct and timely accounting of all transactions,
- reporting and verification of activities — evaluation of the efficiency and effectiveness of operations,
- monitoring procedures,
- rules for human resources management,
- rules for documenting all operations and actions related to the activity of the Company,

- rules for respecting personal integrity and professional ethics,
- the financial controller performs preliminary control for legitimacy before assuming an obligation and making an expense in Bulgargaz EAD.

VI. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 4 of the POSA

1. Information under Article 10, paragraph 1, letter c) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 (Directive 2004/25/EC)
   Not applicable to the Company.

2. Information under Article 10, paragraph 1, letter d) of Directive 2004/25/EC
   Not applicable to the Company.

3. Information under Article 10, paragraph 1, letter f) of Directive 2004/25/EC
   There are no restrictions on voting rights.

4. Information under Article 10, paragraph 1, letter h) of Directive 2004/25/EC
   The rules governing the appointment or replacement of board members are described in section VII of this Declaration. The sole owner of the capital amends and supplements the Articles of Association of the Company.

5. Information under Article 10, paragraph 1, letter i) of Directive 2004/25/EC
   The powers of the members of the Board of Directors are described in section VII of this Declaration.

VII. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 5 of the POSA

The governing bodies of Bulgargaz EAD are:

- Sole owner of the capital;
- Board of Directors.

The company has appointed an Audit Committee under Article 107 of the Independent Financial Audit Act.

1. Sole owner of the capital

1.1. Statute

The sole owner of the capital of the Company is Bulgarian Energy Holding EAD with UIC 831373560 (the 'Holding').

The rights of the Holding as Sole owner of the capital in the Company are exercised by the person (persons) representing the Holding as the principal of the Company and is the body authorized to take all decisions granted in the competence of the sole owner of capital under the law or the Articles of Association.

1.2. Competence

- The sole owner of the capital has all the rights of a shareholder of the Company in accordance with the law and the Articles of Association. The sole owner of the capital decides on all issues that the law places within the competence of the general meeting of shareholders. In the cases provided by law, the sole owner of the capital seeks and receives from the State Energy and Water Regulatory Commission or other competent regulator the necessary permits or consents, if necessary for the exercise of its competence.
- The sole owner of the capital:
  - amends and supplements the Articles of Association of the Company;
  - increases and decreases the capital of the Company;
  - transforms and terminates the Company;
  - elects and dismisses the members of the Board of Directors and determines their remuneration; second the members of the Board of Directors abroad;
  - approve and update the company's business programme;
  - elects and dismisses the independent statutory auditor;
  - approves the annual financial statements after certification by the appointed independent statutory auditor;
  - takes decisions for the bonds issuance;
  - appoints the liquidators upon termination of the Company (except in case of insolvency), participates in the election of a statutory manager in the event that the circumstances for the appointment of a statutory manager under the Energy Act by the Energy and Water Regulatory Commission are present and concludes contracts with them;
  - releases from liability the members of the Board of Directors;
  - takes decisions for opening, transferring or closing branches of the Company;
  - gives permission for: disposal transactions with fixed assets and for the establishment of property rights over real estate, the value of which exceeds the lower of BGN 500 thousand or 5 per cent of the book value of fixed assets as at 31 December of the previous year; for contracts for

the use or lease of real estate or assets, the book value of which exceeds 5 per cent of the book value of fixed assets as at 31 December of the previous year or for transactions for which (regardless of the value of the assets) authorization from the Energy and Water Regulatory Commission is required; receiving borrowings or credits, granting borrowings, granting guarantees (except for guarantees granted under the Public Procurement Act), assuming surety obligations and providing earmarked financing, granting guarantees to third parties, in cases where the value of each of the above exceeds the lower of BGN 500 thousand or 5 per cent of the total book value of fixed assets as at 31 December of the previous year; acquisition of shares and/or stocks in other companies, as well as for disposal of shares and/or stocks owned by the Company in other companies; conclusion of joint activity agreements (the so-called joint venture); the assumption of promissory notes; the securing of obligations of the Company by the creation of a mortgage or pledge of fixed assets of the Company; the conclusion of a judicial or extrajudicial settlement recognizing obligations or forgiving a debt of the Company or forgiving a claim of the Company against third parties; a material change in the business of the Company; material organizational changes, for long-term cooperation of material importance to the Company, and for the termination of such cooperation;

- approves the election of insurer when concluding contracts for compulsory insurance;
- approves the decision of the Board of Directors to start public procurement procedures with an estimated value of over BGN 500,000 (five hundred thousand Bulgarian leva), excluding VAT;
- authorizes the conclusion of contracts for the sale, exchange and lease of fixed assets, as well as the establishment of property rights, to be carried out by direct negotiation, with the initial price to be determined by an independent assessor.
- authorize the sale and exchange of homes, studios, offices and garages to employees of the Company;
- coordinates the acquisition of assets or the conclusion of contracts, as well as amendments to the same, of a single or total value over BGN 500,000 (five hundred thousand Bulgarian leva), excluding VAT, excluding contracts for purchase, sale of natural gas and any other transactions with natural gas at freely negotiated prices on the organized stock exchange market and outside the organized stock exchange market (domestic and international markets) contracts for and related to natural gas storage in gas storage facilities, contracts for and related to

storage and regasification at LNG terminals, contracts for and related to access to, transmission and reservation of capacity from gas transmission networks, balancing contracts, as well as contracts concluded in fulfilment of a legal and/or licensing obligation at regulated prices, including the amendment of these contracts. Contracts, outside the conciliation regime, are concluded in compliance with the requirements for risk management, affordability and cost-effectiveness;

- Adopts and submits to the Board of Directors Corporate Governance Policy, Financial and Accounting Policy, Information Technology Policy, Human Resources Management Policy, Investment and Project Management Policy, Public Procurement Policy (including Policy on organizing tenders, competitions and direct negotiation for delivery of goods and performance of works and services); Policy for conducting tenders, competitions and direct negotiation for concluding contracts for sale, exchange and lease of fixed assets, Policy for risk management and internal audit, and other policies that are mandatory for the Company (the 'Policies');
- decides on the distribution of the Company's profit and its payment, the replenishment of the Reserve Fund and the payment of dividends and the payment of bonuses to the members of the Board of Directors, and determines their amount;
- gives consent for election of a procurator of the Company and approves in advance the conditions of the power of attorney;
- gives prior consent for the decisions under the previous points (except for the secondment abroad of the members of the Board of Directors), which the Company takes in respect of its subsidiaries and project companies (if any and according to the type of company), as well as for the conclusion of any contracts between the Company and its subsidiaries and project companies, if any;
- decides other issues provided within its competence by the law and the Articles of Association.

1.3. Decision making

- The sole owner of the capital shall take decisions within the competence of a regular annual general meeting once a year, and within the competence of an extraordinary general meeting — depending on the necessity. An invitation in the Commercial Register and the Register of Non-Profit Legal Entities shall not be announced for the exercise of the competence of a general meeting by the sole owner of the capital. The sole owner of the capital may take decisions within the competence of the general meeting at any time in writing.

- The Board of Directors shall fulfil its obligations under Article 223, respectively under Article 251 of the Commerce Act by sending a written application to the sole owner of the capital regarding the necessity, respectively the readiness, to take decisions by the sole owner of the capital. The written application contains proposals on the issues on which the Board of Directors proposes to the sole owner of the capital to make decisions. The proposals do not bind the sole owner of the capital to consider and resolve the issues raised, nor do they limit him to the range of issues on which he can make decisions.
- Minutes in writing shall be drawn up for the decisions of the sole owner of the capital, which shall be signed by the principal of the Company.
- In case the sole owner of the capital wishes members of the Board of Directors to be present at the decision-making, they shall be obliged to do so. The sole owner of the capital may request from the present members of the Board of Directors or other persons invited by him to re-sign the minutes with the decisions taken by him. In the cases provided by law, the employees of the Company shall participate in decision-making in the appropriate manner.
- The application for entry of the decisions of the sole owner of the capital, when these decisions are subject to entry shall be assigned to the executive director, who in such case has the right to authorize a person for that.

2. Board of Directors

2.1. Composition

- As at 31 December 2021, the Board of Directors of Bulgargaz EAD consists of:
  Svetoslav Tanev Delchev
  Nikolay Atanasov Donchev
  Iliyan Kirilov Dukov
  Nikolay Angelov Pavlov (Executive Director)
  Diana Stoyanova Boneva

- By decision of the Board of Directors of Bulgarian Energy Holding EAD, the current Board of Directors has been constituted and entered in the Commercial Register on 03 February 2022, as follows:
  Ivan Dimitrov Topchiysky Chairman of the Board of Directors)
  Lyudmil Ventsislavov Yotsov (Executive Director)
  Anzhela Svetlozarova Slavova
  Anton Yordanov Adamov
  Stefan Pandov Voynov

- By decision of the Board of Directors of Bulgarian Energy Holding EAD, the current Board of Directors has been constituted and entered in the Commercial Register on 22 August 2022, as follows:

Ivan Dimitrov Topchiysky (Chairman)
Deniza Slatkova Slateva (Executive Director)
Tatyana Angelova Petrova-Boyadzhieva
Dimitar Vladimirov Spasov
Veselin Sashev Sinabov

- By decision of the Board of Directors of Bulgarian Energy Holding EAD, the current Board of Directors has been constituted and entered in the Commercial Register on 24 April 2024, as follows:
  Ivan Dimitrov Topchiysky (Chairman)
  Veselin Sashev Sinabov (Executive Director)
  Mihail Mariov Milkov
  Byanka Svetlozar Racheva
  Marin Asenov Filipovski

2.2. Statute

- The Board of Directors reports to the sole owner of the capital for the management of the Company, including for the strict compliance with the Policies. It meets as needed, but at least once every three months.
- The Board of Directors shall consist of at least five members — natural persons, who shall be elected and appointed after a competition under the conditions and in accordance with the procedure laid down in the Regulations for the Implementation of the Public Enterprises Act.
- The Board of Directors elects one or two of its members as executive members and the rest are non-executive members. The term of office of the Board of Directors shall be from 3 to 5 years, starting from the entry of the Board of Directors in the Commercial Register and the Register of Non-Profit Companies, and the members of the Board of Directors shall continue to exercise their duties until the entry of a new Board of Directors and after the expiration of their term of office.
- With the prior written approval of the Principal, the Board of Directors may replace an Executive Director at any time, and replace him or her with another member of the Board of Directors.
- A member of the Board of Directors of the Company may be a Bulgarian citizen or a citizen of the European Union, a State party to the Agreement on the European Economic Area, or the Swiss Confederation who:
  - has a university degree;
  - has at least 5 years of professional experience;
  - is not placed under prohibition;
  - has not been convicted of any intentional offence of a general nature;
  - shall not be disqualified from holding office;
  - is not declared bankrupt as a sole trader or unlimited partner in a bankrupt company if there are unsatisfied creditors;

  - has not been a member of the management or supervisory body of a company or cooperative dissolved by reason of insolvency in the last two years prior to the appointment, if there are unsatisfied creditors;
  - is not the spouse or a person related in fact, by consanguinity or affinity up to and including the fourth degree, and by affinity up to and including the second degree, of a manager or a member of a collective management and control body of the same public undertaking;
  - does not hold a senior public office under Art. 1, Paragraph 1, items 1—38 and 41—45 of the Act on Counteracting Corruption and Seizure of Illegally Acquired Property, is not a member of a political cabinet and is not a municipal secretary;
  - does not carry out commercial transactions on their own behalf or on behalf of others similar to the Company's business;
  - is not a partner in general partnerships, limited partnerships or limited liability companies where they carry on a similar business to that of the Company;
  - is not a director or member of the executive or supervisory body of another public undertaking;
  - meets other requirements provided for by law;
- Persons who are employed under an employment contract or under a service relationship may not be executive members of the Board of Directors;
- The company may have proxies, for which may be elected persons who meet the above requirements.
- Each member of the Board of Directors shall enter into a management and control agreement with the Sole owner of the capital. The contract shall be concluded for the term until the end of the term of office of the Board of Directors and shall contain the rights and obligations of the parties, the amount of the remuneration and the manner of its payment, the liability of the parties in the event of non-performance, the grounds for termination of the contract, the amount of the monetary guarantee they give for their management and the amount of the penalty for early termination of the contract for no fault of the member of the Board of Directors, as well as the relationship between the parties in the period from the termination of the contract until the deletion of the name of the released member
- The management contract with a member of the Board shall be terminated early:
  - by mutual consent of the parties;
  - at the request of the person with not less than 3 months' notice;
  - at the request of the principal of the COMPANY with a written notice of 1 (one) month.
  - in case of transformation or dissolution of the COMPANY and in case of change of the owner of the capital;
  - in case of death;
  - upon the placement of the natural person under disability, respectively upon

the bankruptcy of the legal entity or upon its dissolution;
- due to a de facto inability of the person to carry out his/her duties lasting more than 6 months;
- in other cases provided for by law.

- The contract may be terminated early and without notice by the Sole owner of the capital for the fault of the member of the Board of Directors:
  - in the event of a circumstance giving rise to incompatibility with the requirements under Article 23, paragraph 4 and Article 26, paragraph 2 of the Statutes;
  - on conviction of a common offence committed with intent;
  - upon the entry into force of an act establishing a conflict of interest under the Act on Countering Corruption and on Seizure of Illegally Acquired Property;
  - in the event of serious misconduct or persistent failure to comply with official duties;
  - for any violation of law, statute, Board Rules or Policies committed in the course of or in connection with the performance of the member's duties;
  - in the event of actions by the person that have led to a deterioration in the financial performance of the COMPANY or from which damage to the COMPANY has resulted;
  - in the event of a material non-performance of the economic or financial indicators, according to the approved business programme.
- A material failure to perform shall be deemed to be a significant deterioration in the economic performance set out in the business programme in accordance with the development strategy and the Company's internal rules and a failure to perform due to the actions or inactions of the Trustee, unless the failure to perform is wholly due to external factors beyond the Trustee's reasonable control.
- The assessment of achievement or non-achievement of the key performance indicators is made on the basis of the annual financial statements, after certification by the Company's appointed independent registered auditor and approval by the sole shareholder.
- The members of the Board of Directors shall receive remuneration determined in accordance with the applicable regulations and the management and control agreements of the members of the Board of Directors.

2.3. Structure

- The composition of the Board of Directors shall also include the independent members, who shall be not less than one-third but not more than one-half thereof. The Board of Directors shall elect from among its members a President and one or two Executive Members (Executive Directors). An Executive Member may not also be President of the Board of Directors. The President of the Board of Directors must be an independent member.
- The independent members must comply with the requirements of Article 20 of the

Public Enterprises Act and Article 23, paragraph 4 of the Company's Statute. An independent member cannot be:

- an employee of the public undertaking;
- a shareholder/partner in the same public undertaking;
- a person who, personally or through related parties, has a commercial relationship with the public undertaking;
- a sole trader, shareholder or partner in a commercial company which has the same or similar business as the public company;
- a person related to another member of the management or control body of the public undertaking.

- The State's representatives on the Company's Board of Directors are not independent members.
- The President of the Board of Directors shall direct and organize the work of the Board. In the event of the President's inability to perform his/her duties and in the absence of his/her authorization, they shall be assumed by the Executive Director. Any member of the Board of Directors may request the President to call a meeting of the Board.

2.4. Functions

- The Board of Directors carries out the operational management of the Company and controls the activities of the Executive Director(s), including with regard to compliance with the Policies. He performs all functions and resolves all issues that are not within the exclusive competence of the sole owner of the capital by virtue of the law or the Articles of Association of the Company. The Board of Directors adopts Rules of Procedure, which are approved by the sole owner of the capital.
- The Board of Directors may establish special committees from among its members, such as remuneration or risk management committees. The committees prepare decisions to be adopted by the Board of Directors. Decision-making powers shall not be delegated to the committee. The committees shall be chaired by an independent member of the Board.
- The Board of Directors shall prepare annual self-assessments of its activities and performance, which shall be submitted to the authority exercising the rights of the State and to the Agency for Public Enterprises and Control.

2.5. Competence

- The Board of Directors shall exercise the entire competence of the Board of Directors in accordance with the law and this Articles of Association.
- The Board of Directors:
  - organizes, manages and controls the overall activity of the Company;
  - prepares a business program of the Company for the entire mandate and separately for each year, presents it to the sole owner of the capital for approval and ensures its implementation;
  - implements the investment policy of the Company and decides on the

acquisition of property and other rights over real estate, which are not of the exclusive competence of the sole owner of the capital;

- is responsible for the implementation of the Policies and draws up procedures for their implementation by the Company and its subsidiaries (if any), for the implementation of the conditions under the licences of the Company and the Company's subsidiaries (if any) and their maintenance, for the implementation of the production and business programs of the Company, monitors and is responsible for the good economic position of the Company;
- elects one or two of its members as executive directors and authorizes them to manage and represent the Company before third parties. In case two executive directors are elected, they represent the Company jointly.
- takes unanimously decisions for all transactions provided for in Article 236, paragraph 2 of the Commerce Act;
- upon request of the principal seeks and receives from the Energy and Water Regulatory Commission or other competent regulator the necessary permits or consents, makes proposals to the principal to resolve issues within the competence of the sole owner of capital and decides on all other issues that fall within the competence of the Board of Directors as set out in the Articles of Association of the Company.

2.6. Status of the executive member of the Board of Directors

- The Board of Directors assigns the Executive Director (correspondingly — jointly to the Executive Directors) to manage and represent the Company under the terms and conditions of Article 31. The non-executive members of the Board of Directors control the activities of the Executive Director(s).
- The Executive Director represents the Company independently and has the right to perform all actions and transactions related to the activities of the Company, as well as to prepare and sign documents on behalf of the Company and to authorize other persons to perform individual actions and transactions. Upon election of two Executive Directors, they represent the Company under the terms and conditions of joint representation.
- The Executive Director organizes the activity of the Company in accordance with the law, the Articles of Association, the Council's Rules of Procedure, the Policies and decisions of the sole owner of the capital, as well as the decisions of the Board of Directors. He takes over the operational management of the Company's activities, concludes and terminates the employment and other contracts with employees and associates of the Company and is responsible for the reporting and the archives of the Company. The Executive Director also decides on all other issues that are not within the exclusive competence of the sole owner of the Capital or the Board of Directors in accordance with the law, the Articles of Association of the Company, or which are assigned to him by decision of the sole owner of capital.
- The management and control contract with the Executive Director, as well as the

management and control contracts of the members of the Board of Directors, shall be signed by the representative of the sole owner, unless the Board of Directors of the sole owner authorizes another member.

2.7. Representation of the Company

- The Company shall be represented before third parties by the sole Executive Director independently (even if a procurator is appointed).
- In case of election of two Executive Directors — jointly by the Executive Directors. Likewise, the Executive Directors may authorize other persons to carry out certain actions or to conclude separate transactions (including to authorize one person).
- A procurator may represent the Company within the framework of the power of attorney granted to him.

3. Audit committee

3.1. Composition as at 31 December 2025

Temenuzhka Hristova — chairperson;
Galya Dimitrova — member;
Mariela Mileva — member.

3.2. Statute

The Committee is a specialized, supervisory, advisory body. The members of the Committee are elected by Bulgarian Energy Holding EAD in its capacity of sole owner of the capital of Bulgargaz EAD.

The Committee consists of 3 members, one of them acting as the chairman.

By Minutes No 25-2018 dated 10 May 2018, the Board of Directors of Bulgarian Energy Holding EAD approved the *Statute of the Audit Committee of Bulgargaz EAD*.

3.3. Remuneration

The remuneration of the members of the Audit Committee is determined by the Board of Directors of Bulgarian Energy Holding EAD and is at the expense of Bulgargaz EAD. By Minutes No 34-2021 dated 06 July 2021, the Board of Directors of Bulgarian Energy Holding EAD determines the remuneration of the members of the Audit Committee as follows:

- for a member of the Audit Committee in the amount of 80 percent of the monthly remuneration of a member of the Management Board of the Company;
- for chairman of the Audit Committee in the amount of 85 percent of the remuneration of a member of the Management Board of the company, elected under Article 105, paragraph 6 of the Independent Financial Audit Act.

3.4. Obligations and powers

- The Audit Committee carries out its activities in accordance with the requirements of the Independent Financial Audit Act, Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements

regarding the statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Regulation (EU) No 537/2014), Directive 2014/56 and Directive 2006/43 of the European Parliament and of the Council and these Articles of Association.

- The Committee shall have the following powers:
  - to monitor the financial reporting process and make recommendations or suggestions to ensure its effectiveness;
  - to review and, at its discretion, express an opinion on the accounting policy of the Holding and its application in the financial reporting;
  - to monitor the effectiveness of the adopted current controls during the monthly review of the financial position of Bulgargaz EAD;
  - to monitor the timely and reliable provision of financial information by the subsidiaries during the preparation of the annual consolidated financial statements of Bulgargaz EAD;
  - — to monitor the effectiveness of the internal control system, the risk management system and the internal audit activity with regard to the financial reporting in Bulgargaz EAD;
  - to review and express an opinion on the risk management strategy, the risk register of the Holding and the annual report on the condition of the financial management and control system;
  - to express an opinion on the status and number of staff of the Internal Audit Unit and on the strategic and annual plans for the internal audit activity;
  - to discuss and adopt the Annual Internal Audit Activity Report and, if necessary, to get acquainted and give opinions on individual audit reports from performed audit engagements, as well as on all significant issues related to the internal audit;
  - to be responsible for the selection procedure of the registered auditor, except in cases where the audited entity has a selection committee, and recommend its appointment;
  - to check and monitor the independence of the statutory auditor and to take decisions in the cases provided by law, in accordance with the requirements of Chapters Six and Seven of the Independent Financial Audit Act, as well as pursuant to Article 6 of Regulation (EU) No 537/2014, including the expediency of providing services outside the audit under Article 5 of the same Regulation;
  - to monitor the mandatory audit of the annual and consolidated financial statements, including its implementation, taking into account the findings and conclusions of the Commission for Public Oversight of Statutory Auditors on the application of Article 26, paragraph 6 of Regulation (EU) No 537/2014;
  - to get acquainted with the audit strategy and the audit plan of the statutory audit and expresses an opinion on them, assessing the arguments in support

of important decisions and choices made at the planning stage;

- to monitor the implementation of the audit plan by giving recommendations to the management of the Company and the auditors to eliminate any difficulties;
- to review the draft audit reports under Article 59 and Article 60 of the Independent Financial Audit Act and the identified key audit issues, the findings and the audit opinion expressed, as well as to form an opinion on the annual work of the statutory auditor, which includes: independence of the auditor; objectivity and professional scepticism; composition of the audit team; findings from inspections of the Commission for Public Oversight of Statutory Auditors; communication and relations with the management of Bulgargaz EAD. The annual opinion is formed on the basis of criteria adopted by the Audit Committee and communicated in advance with the auditor;
- to discuss the additional report of the auditor (prepared in accordance with Article 11, item 2 of Regulation (EU) No 537/2014) and make recommendations to the management of Bulgargaz EAD to eliminate the significant weaknesses and shortcomings identified in the report;

VIII. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 6 of the POSA

The Board of Directors is appointed by minutes decision of Bulgarian Energy Holding EAD. When electing new members of the Board of Directors, the provisions of Chapter Five 'Requirements for Management and Control Bodies' of the Law on Public Enterprises shall apply, observing the principle of matching the competence of the candidates with the nature of the Company's business.

Date: 22 June 2026

Veselin Sashev Sinabov

Digitally signed by Veselin Sashev Sinabov
Date: 2026.06.22 14:48:42 +03'00'

VESELIN SINABOV
EXECUTIVE DIRECTOR

BULGARGAZ EAD

ANNUAL FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

31 DECEMBER 2025

BULGARGAZ EAD
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2025

(All amounts are in BGN'000)

	Note	AS AT 31 DECEMBER 2025 г.	2024 г.
ASSETS			
Non-current assets			
Property, plant and equipment	7	84	223
Intangible assets	8	179	313
Investment in a subsidiary	10	100	-
Deferred tax assets	11	23,469	24,157
		23,832	**24,693**
Current assets			
Inventories	12	281,477	305,980
Prepaid natural gas supplies	13	405,409	456,017
Trade and other receivables	14	1,347,720	1,074,688
Contract assets	22	15,419	37,014
Cash and cash equivalents	15	2,763	1,254
		2,052,788	**1,874,953**
TOTAL ASSETS		**2,076,620**	**1,899,646**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	231,698	231,698
Reserves	17	21,122	21,133
Accumulated loss		(710,418)	(443,202)
		(457,598)	**(190,371)**
Non-current liabilities			
Borrowings	18	570,000	570,000
Lease payables	9	6	59
Provisions	34	-	53,715
Retirement benefits obligations	20	228	176
		570,234	**623,950**
Current liabilities		,	
Borrowings	18	1,268,361	1,060,603
Trade and other payables	19	,641,820	405,304
Provisions	34	53,715	-
Lease payables	9	53	129
Retirement benefits obligations	20	35	31
		1,963,984	**1,466,067**
TOTAL LIABILITIES		**2,534,218**	**2,090,017**
TOTAL EQUITY AND LIABILITIES		**2,076,620**	**1,899,646**

The annual financial statements were approved by the Board of Directors on 29 May 2026 and signed on 22 June 2026.

Iliyana Grigorova Teneva — Digitally signed by Iliyana Grigorova Tenev, Date: 2026.06.22 13:56:02 +03'00'

Iliyana Teneva
Head of Accounting Department

Veselin Sashev Sinabov — Digitally signed by Veselin Sashev Sinabov, Date: 2026.06.22 14:44:36 +03'00'

Veselin Sinabov
Executive Director

By audit report issued by the joint auditors on 22 June 2026

Grant Thornton OOD, Audit Firm No 032
Mariy Apostolov — MARIY GEORGIEV APOSTOLOV, Date: 2026.06.22 16:45:10 +03'00'
Manager

Zaharinova Nexia EOOD, Audit Firm No 138
Dimitrina Zaharinova
Manager — Dimitrina Dimitrova Zaharinova, Digitally signed by Dimitrina Dimitrova Zaharinova, Date: 2026.06.22 15:29:52 +03'00'

Emiliya Marinova — EMILIYA GEORGIEVA MALEVA, Date: 2026.06.22 16:40:04 +03'00'
Registered auditor responsible for the audit

Stoycho Milev — Stoycho Kirilov Milev, Digitally signed by Stoycho Kirilov Milev, Date: 2026.06.22 15:26:37 +03'00'
Registered auditor responsible for the audit

BULGARGAZ EAD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts are in BGN'000)	Note	YEAR ENDED 31 DECEMBER	
		2025	**2024**
Revenue from sale of natural gas	22	1,351,805	1,435,529
Prime cost of natural gas sold	12	(1,291,799)	(1,316,578)
Gross profit from sale of natural gas		**60,006**	**118,951**
Other revenue	23	81,164	,62,714
Expected credit losses and impairment losses on financial assets	24	(45,408)	(68,514)
Impairment losses on inventories	12	(11,559)	(36,042)
Recovered/(accrued) impairment losses on non-financial assets — advances for natural gas	13	14,405	(721)
Hired services expenses	25	(21,110)	(26,807)
Costs for unused capacity	26	(299,420)	(295,219)
Employee benefits and social security expenses	27	(5,052)	(4,917)
Cost of materials	28	(56)	(54)
Depreciation expenses on non-financial assets	7,8	(405)	(428)
Other expenses	29	(4,102)	(4,065)
Loss from operating activities		**(231,537)**	**(255,102)**
Interest income	30	175	244
Interest expenses, bank charges and commissions	30	(62,308)	(51,996)
Income/(expenses) from foreign exchange, net	31	27,143	(4,965)
Financial costs, net		**(34,990)**	**(56,717)**
Loss before tax		**(266,527)**	**(311,819)**
Expenses on profit taxes	32	(689),	(4,070),
Net loss for the year		**(267,216)**	**(315,889)**
Other items of the comprehensive income:			
Items that will not be reclassified in profit or loss:			
Remeasurement of defined benefit retirement plans	20	(12)	4
Income tax related to items that will not be reclassified in profit or loss	32	1	(1)
Other comprehensive (loss)/ income for the year, net of tax		**(11)**	**3**
Total comprehensive loss for the period		**(267,227)**	**(315,886)**

The annual financial statements were approved by the Board of Directors on 29 May 2026 and signed on 22 June 2026.

Iliyana Grigorova Teneva — Digitally signed by Iliyana Grigorova Teneva Date: 2026.06.22 13:56:42 +03'00'

Iliyana Teneva
Head of Accounting Department

Veselin Sashev Sinabov — Digitally signed by Veselin Sashev Sinabov Date: 2026.06.22 14:45:05 +03'00'

Veselin Sinabov
Executive Director

By audit report issued by the joint auditors on 22 June 2026

Grant Thornton OOD, Audit Firm No 032
Mariy Apostolov — MARIY GEORGIEV APOSTOLOV — Date: 2026.06.22 16:46:04 +03'00'
Manager

Zaharinova Nexia EOOD, Audit Firm No 138
Dimitrina Zaharinova
Manager — Dimitrina Dimitrova Zaharinova — Digitally signed by Dimitrina Dimitrova Zaharinova Date: 2026.06.22 15:30:09 +03'00'

Emiliya Marinova — EMILIYA GEORGIEVA MALEVA — Date: 2026.06.22 16:38:13 +03'00'
Registered auditor responsible for the audit

Stoycho Milev — Stoycho Kirilov Milev — Digitally signed by Stoycho Kirilov Milev Date: 2026.06.22 15:26:57 +03'00'
Registered auditor responsible for the audit

BULGARGAZ EAD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts are in BGN'000)

	Share capital	Reserves	Accumulated loss	Total equity
AS AT 01 January 2024	**231.698**	**21.130**	**(127.313)**	**125.515**
Net loss for the year	-	-	(315.889)	(315.889)
Other comprehensive income, net of tax	-	3	-	3
Total comprehensive loss	**-**	**3**	**(315.889)**	**(315.886)**
AS AT 31 DECEMBER 2024	**231.698**	**21.133**	**(443.202)**	**(190.371)**
AS AT 01 JANUARY 2025	**231.698**	**21.133**	**(443.202)**	**(190.371)**
Net loss for the year	,	,	(267.216)	(267.216)
Other comprehensive loss, net of tax	,	(11)	-	(11)
Total comprehensive loss	**-**	**(11)**	**(267.216)**	**(267.227)**
AS AT 31 DECEMBER 2025	**231.698**	**21.122**	**(710.418)**	**(457.598)**

The annual financial statements were approved by the Board of Directors on 29 May 2026 and signed on 22 June 2026.

Iliyana Grigorova Teneva — Digitally signed by Iliyana Grigorova Teneva Date: 2026.06.22 13:57:05 +03'00'

Iliyana Teneva
Head of Accounting Department

Veselin Sashev Sinabov — Digitally signed by Veselin Sashev Sinabov Date: 2026.06.22 14:45:43 +03'00'

Veselin Sinabov
Executive Director

By audit report issued by the joint auditors on 22 June 2026

Grant Thornton OOD, Audit Firm No 032
Mariy Apostolov — MARIY GEORGIEV APOSTOLOV — Date: 2026.06.22 16:46:51 +03'00
Manager

Emiliya Marinova — EMILIYA GEORGIEVA MALEVA — Date: 2026.06.22 16:41:38 +03'00'
Registered auditor responsible for the audit

Zaharinova Nexia EOOD, Audit Firm No 138
Dimitrina Zaharinova
Manager — Dimitrina Dimitrova Zaharinova — Digitally signed by Dimitrina Dimitrova Zaharinova Date: 2026.06.22 15:30:24 +03'00'

Stoycho Milev — Stoycho Kirilov Milev — Digitally signed by Stoycho Kirilov Milev Date: 2026.06.22 15:27:12 +03'00'
Registered auditor responsible for the audit

BULGARGAZ EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts are in BGN'000)

	Note	YEAR ENDED 31 DECEMBER 2025	2024
CASH FLOWS FROM OPERATING ACTIVITY			
Proceeds from customers		1,342,063	1,393,586
Proceeds of litigation and related fees		33,255	1,953
Proceeds from transactions with related parties		4,760	11,337
Income tax payments		-	(5,117)
Payments to suppliers, including:		(1,262,152)	(1,425,003)
For purchase of natural gas		(1,048,758)	(1,220,317)
Under transactions with related parties		(184,730)	(193,850)
Payments to other trade counterparties		(28,664)	(10,836)
Taxes paid, different from the income tax		(260,165)	(229,470)
Payments for personnel benefits and social security		(5,080)	(5,105)
Proceeds under compensation programme by resolution of the Council of Ministers	2.2	-	156,775
Other payments for operating activity, net		(1,624)	(3,669)
NET CASH FLOWS FROM OPERATING ACTIVITY		**(148,943)**	**(104,713)**
CASH FLOWS FROM INVESTING ACTIVITY			
Acquisition of plant and equipment		(156)	(396)
Acquisition of a subsidiary		(100)	-
Acquisition of intangible assets		(2)	(6)
Net cash flows from investing activity		**(258)**	**(402)**
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from bank overdraft	21	1,071,329,	710,933
Payments of bank overdraft	21	(879,179)	(536,439)
Borrowings received	21	15,000	16,613
Payments on borrowings received	21	-	(16,613)
Payments of interest and fees on borrowings received	21	(55,240)	(70,439)
Principal payments on lease contracts	21	(140)	(136)
Interest payments on lease contracts	21	(5)	(9)
Proceeds from interests		12	244
Other financial payments		(12)	-
Net cash flows from financing activity		**151,765**	**104,154**
Net decrease of cash and cash equivalents during the year		**2,564**	**(961)**
Cash at the beginning of the year, gross		1,255	2,269
Exchange loss on cash, net		(1,053)	(53)
Expected credit losses on cash		(3)	(1)
Cash at the end of the year	15	**2,763**	**1,254**

The annual financial statements were approved by the Board of Directors on 29 May 2026 and signed on 22 June 2026.

Iliyana Grigorova Teneva — Digitally signed by Iliyana Grigorova Teneva Date: 2026.06.22 13:57:32 +03'00'

Iliyana Teneva
Head of Accounting Department

Veselin Sashev Sinabov — Digitally signed by Veselin Sashev Sinabov Date: 2026.06.22 14:46:47 +03'00'

Veselin Sinabov
Executive Director

By audit report issued by the joint auditors on 22 June 2026

Grant Thornton OOD, Audit Firm No 032
Mariy Apostolov — MARIY GEORGIEV APOSTOLOV — Date: 2026.06.22 16:47:37 +03'00'
Manager

Emiliya Marinova — EMILIYA GEORGIEVA LALEVA — Date: 2026.06.22 16:42:38 +03'00'
Registered auditor responsible for the audit

Zaharinova Nexia EOOD, Audit Firm No 138
Dimitrina Zaharinova
Manager — Dimitrina Dimitrova Zaharinova — Digitally signed by Dimitrina Dimitrova Zaharinova Date: 2026.06.22 15:30:41 +03'00'

Stoycho Milev — Stoycho Kirilov Milev — Digitally signed by Stoycho Kirilov Milev Date: 2026.06.22 15:27:26 +03'00'
Registered auditor responsible for the audit

1. GENERAL INFORMATION

Bulgargaz EAD (the Company), UIC 175203485, is a sole-owned joint stock company, registered under the Commerce Act, entered in the Commercial Register and the Register of Non-Profit Legal Entities, with seat and registered address at: city of Serdika District, 47 Petar Parchevich St.

The Company's main activity is the public supply of natural gas as well as purchases and sales related thereto.

The main strategic goals of BULGARGAZ EAD are related to the responsibilities and obligations for continuity and reliability of natural gas supply. Guaranteeing the supply of natural gas is of key importance for the energy security of Bulgaria.

The Company operates under an individual licence for public supply of natural gas on the territory of Republic of Bulgaria — Licence No Л-214-14 [L-214-14] of 29 November 2006, issued by the State Energy and Water Regulatory Commission for a period of 35 years. Bulgargaz EAD also holds the following other licences and permits:

- a Licence for Trading in Natural Gas No Л-548-15 of 16 September 2021 issued by the Energy and Water Regulatory Commission by virtue of Article 31, paragraph 1, item 1, in connection with Article 39, paragraph 5, second sentence of the Energy Act.
- a Licence for Trading in Natural Gas on the territory of the Hellenic Republic under Decision No 247/2020 — indefinite and Decision No 311/2022 for wholesale trading in natural gas on the territory of the Hellenic Republic for a period of 20 years and trades in natural gas on the Hellenic Energy Exchange (ENEX).
- Permit No 2023P 0370 to carry out activities in the energy sector — gas supply, issued on 20 June 2023 by Decision No 0024/2023/P-PE of the Vice President of the Regulatory Office for Network Industries, Slovak Republic. The validity period of the permit is indefinite.
- By Decision No 2274/29 October 2024 of the President of the National Agency for Energy and Water Regulation (ANRE) — Romania, Bulgargaz EAD was confirmed the right to participate in the natural gas markets in Romania for the supply of natural gas activity. From April 2024, Bulgargaz EAD performs sales of quantities of natural gas to the Romanian gas stock exchange. By Decisions No 2079 of 30 September 2025 and No 2309 of 4 November 2025 of the President of the National Agency for Energy and Water Regulation (ANRE) — Romania, the right of Bulgargaz EAD to participate in the natural gas markets in Romania has been extended until 29 October 2030.
- A Licence for Trading in Natural Gas within Hungary, issued by Decision No H4955/2024 of 12 December 2024 of the Hungarian Energy and Public Utilities Regulatory Authority. The Licence shall be valid from the date of notification for an indefinite period of time, provided that the licence holder is actually and lawfully carrying on gas trading activities in a Member State of the European Union or in another State party to the Agreement on the European Economic Area and holds an operating licence for a specified period of time. From 4 September 2025, Bulgargaz EAD is a registered participant also on the Hungarian gas exchange CEEGEX.

In June 2025, Bulgargaz EAD registered its subsidiary under the name Bulgargaz North, through which it will perform the activity of trade in natural gas in the territory of Moldova. On 19 August 2025, by a Resolution of the Regulator of the Republic of Moldova, Bulgargaz North obtained a licence for trade in the Republic of Moldova. In July 2025, Bulgargaz EAD entered into a standardised supply contract (EFET agreement) with the Moldovan company Energocom S.A. The purpose of the concluded contract is the access and the provision of a possibility for participation of Bulgargaz EAD in the tenders organized by Energocom S.A , financed either through the borrowing granted to them by the EBRD for the purchase of natural gas or through their own funds.

On 24 July 2025, Bulgargaz EAD entered into a framework EFET agreement also with the state company Naftogaz Ukraine, which enabled Bulgargaz to participate in the tenders organised by them. These tenders are organised with delivery points at the exit points of the gas transmission networks of countries neighbouring Ukraine. Following participation in several tenders, it was found that transmission costs of Bulgargaz to such points significantly exceed those of other companies located in the immediate vicinity of Ukraine, and that prices of Bulgargaz are not competitive. With a view to sales in Romania, Moldova and Ukraine, Bulgargaz has reserved annual capacities on these routes, but proved to be uncompetitive following the adoption of decisions by several regulatory authorities (Greece, Bulgaria, Romania, Moldova and Ukraine) to announce route products (capacities) from the Greece virtual trading point to Ukraine at a significant discount compared to the approved standard capacity products.

Bulgargaz EAD is a registered user of the following gas transmission networks:

- In Bulgaria, with Bulgartransgaz EAD as an operator,
- In Bulgaria, with ICGB Bulgaria as an operator,
- In Greece, with DESFA SA as an operator,
- In Romania, with TRANSGAZ SA as an operator,
- In Serbia, with GASTRANS d.o.o. as an operator,
- in Hungary, with FGSZ as an operator,
- in Ukraine, with the Gas Transmission System Operator of Ukraine as an operator,

BULGARGAZ EAD is a sole-owned joint stock company, whose share capital is owned by Bulgarian Energy Holding EAD. The ultimate owner of the Company is the Bulgarian Republic, through the Minister of Energy.

The Company has a one-tier management system, with governing bodies being the sole owner of the capital and the Board of Directors. As at 31 December 2025 and as at the date of the compilation of these Statements, the Company is managed and represented by the Executive Director Veselin Sinabov and has a Board of Directors with the following members:

- Veselin Sinabov — Executive Member of the Board of Directors;
- Ivan Topchiysky — Chairman of the Board of Directors;
- Mihail Milkov — Member of the Board of Directors;
- Byanka Racheva — Member of the Board of Directors;
- Marin Filipovski — Member of the Board of Directors;

As at the date of execution of the present Financial Statements, the Company has an Audit Committee with the following members:

- Temenuzhka Lyubenova Hristova — chairperson
- Galya Dimitrova — Member
- Mariela Vasileva Mileva — member

The Company does not generate any reporting information by activities due to the fact that the supply of natural gas is the only activity for the period.

2. STATEMENT OF COMPLIANCE WITH THE IFRS ACCOUNTING STANDARDS AND APPLICATION OF THE GOING CONCERN PRINCIPLE

2.1 STATEMENT OF COMPLIANCE WITH THE IFRS ACCOUNTING STANDARDS ADOPTED BY THE EU

The financial statements have been prepared in accordance with the requirements of the IFRS accounting standards, as issued by the International Accounting Standards Board ('IASB') and adopted for use in the European Union by the European Commission ('European Commission'). By virtue of Paragraph 1, Subparagraph 8 of the Additional Provisions of the Accounting Act applicable in Bulgaria, they are the International Accounting Standards (IAS) as adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

1. The financial statements have been prepared on a historical cost basis, modified with respect to the valuation of items of plant and equipment at revalued amount.

The annual financial statements are presented in Bulgarian lev (BGN), which is also the functional currency of the Company. Unless otherwise stated, all amounts are presented in thousand Bulgarian lev (BGN'000), including the comparative information for 2024.

2.2 GOING CONCERN PRINCIPLE

As at 31 December 2025, the financial statements are prepared on a going concern principle, which assumes that the Company will continue its operations in the foreseeable future.

As disclosed in Note 1 'General information', the Company has an individual licence for public supply of natural gas in the Republic of Bulgaria, issued by the State Energy and Water Regulatory Commission for a period of 35 years and holds a Natural Gas Trading Licence No Л-548-15 [L-548-15] of 16 September 2021.

The main purpose of the Company is to perform the function of a public supplier of natural gas in the country. The future operations of Bulgargaz EAD as a public supplier and trader of natural gas depend on the business environment, the regulatory requirements, valid contracts in place for ensuring natural gas supplies as per consumer needs, contracts in place for sales of natural gas to the customers, as well as maintaining the necessary financial resources for implementation of its activity.

For the period ending 31 December 2025 the Company reported a net loss of BGN (267,216) thousand. As at 31 December 2025 the accumulated loss is BGN (710,418) thousand, the net cash flow from operating activities is negative, amounting to BGN (148,943) thousand, but the current assets exceed the current liabilities by BGN 88,804 thousand. The loss for the period is mainly due to the cost of spare capacity under the Agreement with the Turkish gas company Botaş (amounting to BGN 250,458 thousand), unused capacity along the route from the Alexandroupolis terminal to Bulgaria due to the delay in the date of commissioning of the terminal (BGN 35,049 thousand) and unused capacity at other points (amounting to BGN 13,913 thousand). An additional negative impact on the performance for the year is attributable to the costs of financing the Company through borrowings, which also results in the recognition of significant financial interest expenses on borrowings received amounting to BGN 50,048 thousand.

The gross result from natural gas sales in 2025 is a profit in the amount of BGN 60,006 thousand (2024: profit in the amount of BGN 118,951 thousand) The higher profit for 2024 is attributable to reimbursements received for volumes extracted from the UGS Chiren through the application of the compensation mechanism under the Program for providing compensation to companies that injected natural gas into the underground gas storage in the period 1 May 2022—11 October 2022, which amounted to approximately BGN 157 million.

As at 31 December 2025, the Company's equity is negative at BGN (457,598) thousand and is below the amount of the registered share capital which is in the size of BGN 231,698 thousand.

The natural gas market in Europe, in particular in Bulgaria and the region, has undergone significant changes in the last 3 years mainly as a result of the suspension of supplies from Russia to some European countries, including Bulgaria. This has led to active action and efforts by the European Union countries to reduce energy dependence on Russia. From the beginning of 2025, the import of liquefied natural gas in Europe is increasing by 22.1%, compared to the same period of the last year. The increased demand in Europe keeps the prices of liquefied natural gas on the global gas markets higher.

On the basis of the agreement signed on 30 December 2022 with BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş, Bulgargaz EAD secures access to the LNG regasification terminals in Turkey and its subsequent transportation to the territory of the Republic of Bulgaria under the flexibility of supply. The period of the Agreement between Bulgargaz EAD and Botaş is 01 April 2023—31 December 2035, as by Decision No 26 of 12 January 2023, the Council of Ministers of the Republic of Bulgaria approves the signed Agreement, which provides for regasification capacity of up to 14 cargoes (14,000,000 MWh) of LNG per year and its subsequent transmission to the interconnection point at the border of the Republic of Turkey and the Republic of Bulgaria — Malkochlar/Strandzha 1, in the amount of up to 19,000,000 MWh per year. The difference in quantities between the LNG delivery capability and the subsequent transmission is to provide flexibility in receiving the quantities of LNG delivered. With a delivery of 14 loads and a transmission entitlement of 14,000,000 MWh, this would mean no flexibility element for the Company, as the same quantity would need to be received each day in a given year in order for all supplies to be accepted. By contracting for more transmission capacity relative to the delivery capability, significant annual flexibility (estimated at 28% of total volume) is achieved in accepting the quantities delivered. Management's estimate is that in the summer when consumption is lower, the quantities may not be taken in full, as the greater transmission capacity allows these undrawn quantities to be taken in the winter period when consumption is significantly higher. At the same time, this also provides significant flexibility in the requests on a daily basis (for example, during the repair works on 26—27 September 2024, Bulgargaz generated losses of more than BGN 10 million as a result of a capacity outage in just two days). In addition, the flexibility enjoyed by the Company in ordering and receiving quantities saves significant financial losses from selling quantities of natural gas below cost on the exchange and/or as a positive imbalance to the transmission system operator, not only in the event of interruptions resulting from repair work, but also in the event of non-receipt by the Company's customers. In January 2025, the agreement with BOTAŞ secured the required amount of gas during the winter month after two consecutive accidents occurred — first at the Shah Deniz platform and then at the Alexandroupolis terminal.

Furthermore, having such an agreement with terms that provide flexibility in supply management allows, with proper forecasting of natural gas prices, for a profit to be made, such as LNG volumes delivered in the summer period when prices are lower to be marketed in the winter period when prices are higher.

Also, the negotiated price for the service provided under the Agreement is firm for the entire term of the agreement (with annual inflation indexation beginning 1 January 2025), which eliminates the risk to the Company of paying higher prices when demand for storage and regasification slot reservations is high.

The term of the Agreement allows for the conclusion of a long-term contract (for approximately 10 years) for the supply of LNG. In the case of long-term LNG contracts, the commodity prices are not linked to the market prices, as is the case for short-term supplies, but are intended to cover the investment for the development of the respective gas field and/or LNG loading terminal.

The conclusion of the Agreement provided a third source of supply for the company, which in turn, in addition to the above advantages, brings security and independence of supply for Bulgarian consumers, as Bulgargaz has thus diversified the routes and sources of supply, providing three interchangeable sources of supply.

The market goals of Bulgargaz EAD are related to maintaining its market position in the country and entering other gas markets. In order to achieve this goal, Bulgargaz EAD shall continue to offer flexible and competitive commercial terms on the market. The natural gas market in Bulgaria is relatively small, and at present it can be assumed that natural gas trading is fully liberalised. From mid-2025 the operation of the Balkan Gas Hub EAD trading platform has been supported by the KELLER CCP clearing house, which guarantees the execution of transactions, carries out settlement between the parties and manages risk.

The financial objectives of Bulgargaz EAD are related to ensuring the financial stability of the Company. The Company's management has prepared a business plan and a development forecast based on forecast customer requests, current regulations governing natural gas pricing, obligations under existing contracts with natural gas suppliers and forecasts prepared by leading agencies. The pricing of natural gas applied by the Company depends on the market in which it is sold:

- on a regulated market — the pricing is carried out in compliance with the requirements of Ordinance No 2 of 19 March 2013.
- on a free market — pricing is market-based — determined by contracts with customers directly connected to the gas transmission system
- an organized exchange market in the country and in the countries where the company has a 'Trading Licence' — the pricing follows the market conditions of Balkan Gas Hub EAD and the gas exchanges in the respective countries.
- outside an organised exchange market (on domestic and international markets) — pricing follows the market conditions at the time. The main approach to sales outside an organised exchange market is to apply the 'TTFfm price + mark-up' formula, where TTFfm is the main reference virtual market for gas trading in Europe, based in Amsterdam, the Netherlands. It is the most liquid and most actively traded gas hub in Europe, making it a key price benchmark for global energy markets and for utility bills across Europe. This virtual platform brings together natural gas producers and suppliers who purchase and resell it to end users — households and businesses — in the countries where they operate.

The company forecasts growth in sales on the stock exchange/regional market in 2026 as a result of the ban of the European Union on the conclusion of new and short-term contracts. This is expected to lead to an increase in demand for LNG in Central and Eastern Europe and increased interest in supply via the Greece/Türkiye route to Europe.

The main challenges faced by Bulgargaz EAD are related on the one hand to the company's role as a public supplier and trader of natural gas on a liberalised market, and on the other hand to its role in the transition to a carbon-neutral economy (Green Deal). Under these conditions, Bulgargaz EAD should develop its activities as a natural gas trader, at free prices and as each of its competitors strives for a leading role on the Bulgarian market and an expanded presence on the markets in the region. The security of the supplies offered by Bulgargaz EAD, its financial stability and reputation as a reliable partner should be used to its advantage in a freely competitive environment.

The Company's management believes that according to the currently available information, on the basis of which forecasts have been made for the future development of the Company, as well as due to the continued financial and operational support from the sole owner of the capital, the Company will continue its activity and will be able to meet its obligations. The Company will continue to function as a going concern and will settle its liabilities according to their maturities and terms. Given the importance and strategic significance of the activities performed by Bulgargaz EAD, Bulgarian Energy Holding EAD, as the parent company, has neither the intention nor the legal necessity to discontinue the Company's operations, regardless of its financial performance as at 31 December 2025. The sole shareholder is committed to the continued operational and financial support of Bulgargaz EAD to achieve a sustainable financial and business development model.

In 2025, the principal amount of the borrowing received from the Ministry of Energy in the amount of BGN 800,000 thousand, became payable. On 15 August 2025 the Council of Ministers adopted Decree No 161 of 15 August 2025, amending the term of the borrowing from '36 months' to '72 months', i.e. a new maturity date until 12 August 2028 has been set. Pursuant to paragraph 2 of Decree of the Council of Ministers No 161, the extension of the borrowing term shall not take effect until approval has been received from the European Commission confirming that the amendment constitutes a compatible state aid measure. As at 31 December 2025 and as at the date of preparation of the financial statements, no approval had been received from the European Commission.

The Company's management has made its assessment of the events, facts and circumstances and as a result of the analysis has concluded that the going concern basis has been appropriately applied in the preparation of the annual financial statements as at 31 December 2025.

3. NEW OR AMENDED STANDARDS AND INTERPRETATIONS

3.1. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2025

The Company has adopted the following new standards, amendments and interpretations to IFRS, issued by the International Accounting Standards Board and approved by EU, which are relevant and effective for the Company's financial statements for the annual period beginning on 1 January 2025.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of convertibility, effective as from 1 January 2025, adopted by the EU

The amendments to IAS 21 include:

- specifying when a currency can be exchanged into another currency and when it cannot — a currency is exchangeable when an entity is able to exchange that currency for another currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency cannot be exchanged into another currency if the entity can only receive an insignificant amount of the other currency;
- a requirement on how an entity determines the exchange rate to be applied when a currency cannot be exchanged — when a currency cannot be exchanged at the measurement date, an entity measures the spot exchange rate as the rate that would apply in an orderly transaction between market participants at the measurement date and that would fairly reflect prevailing economic conditions.

- a requirement to disclose additional information when the currency is not convertible — when a currency is not convertible, the entity discloses information that would enable users of its financial statements to assess how the lack of currency convertibility affects, or is expected to affect, its financial performance, financial position and cash flows.

3.2. STANDARDS, AMENDMENTS AND CLARIFICATIONS WHICH HAVE NOT BEEN ENTERED INTO FORCE AND WERE NOT APPLIED FROM AN EARLY DATE BY THE COMPANY

As at the date of approval of these financial statements, new standards, amendments and interpretations have been published to existing standards but have not entered into force or been adopted by the EU for the financial year beginning on 1 January 2025, and were not applied from an earlier date by the Company. The Management expects that all standards and amendments are adopted in the accounting policy of the Company in the first period beginning after their effective date. Information about these standards and amendments that are expected to affect the Company's financial statements is presented below.

IFRS 7 Financial Instruments: Disclosures

- Profit or loss on write-off. The amendment addresses a potential source of confusion in paragraph B38 of IFRS 7, arising from an outdated reference to a paragraph that was deleted from the standard upon the issue of IFRS 13 Fair Value Measurement.
- Disclosure of the deferred difference between fair value and the transaction price. The amendment addresses an inconsistency between paragraph 28 of IFRS 7 and the accompanying application guidance, which arises when a subsequent amendment, resulting from the issue of IFRS 13, is made to paragraph 28 but not to the corresponding paragraph in the application guidance.
- Introduction and disclosure of credit risk. The amendment resolves a potential source of confusion by clarifying in paragraph NP1 that the guidance does not necessarily illustrate all the requirements set out in the specified paragraphs of IFRS 7. Some disclosures have been simplified.

IAS 7 Statement of Cash Flow

- Cost method. The amendment addresses potential confusion in the application of paragraph 37 of IAS 7, arising from the use of the term 'cost method', which is no longer defined in the IFRS accounting standards.

Amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7), effective from 1 January 2026, as adopted by the EU

The amendments are as follows:

- Write-off of a financial liability settled by electronic transfer. Amendments to the IFRS 9 application guidance allow the entity to consider a financial liability (or part of a financial liability) that will be settled in cash through an electronic payment system is settled before the settlement date if certain criteria are met. An entity that chooses to apply the write-off option will have to apply to all payments made through the same electronic payment system.
- Classification of financial assets
  - Contractual terms that are in accordance with an underlying borrowing agreement. Amendments to the IFRS 9 application guidance provide guidance on how an entity can assess whether the contractual cash flows of a financial asset are consistent with an underlying borrowing arrangement. To illustrate the changes to the application guidance, the amendments add examples of financial assets that have contractual cash flows, or have no contractual cash flows, that represent only payments of principal and interest on the outstanding principal.
  - Assets with non-regressive characteristics. The amendments improve the definition of the term 'non-regressive'. According to the amendments, a financial asset has the characteristics of a 'non-regressive' asset if the entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by certain assets.
  - Contractually linked instruments. The amendments explain the characteristics of contractually linked instruments that distinguish them from other transactions. The amendments also note that not all multiple debt instruments transactions meet the criteria for multiple contractually related transactions instruments and provide an example. Furthermore,

the amendments clarify that references to instruments in the major group may include financial instruments that are not within the scope of the classification requirements

- **Disclosures**
  - Investments in equity instruments designated at fair value through other comprehensive income. The requirements of IFRS 7 are amended with regard to the disclosures that an entity provides in respect of these investments. In particular, an entity would be required to disclose the fair value gain or loss presented in other comprehensive income during the period by showing separately the fair value gain or loss relating to investments derecognised during the period and the fair value gain or loss relating to investments held at the end of the period.
  - Contractual terms that could alter the timing or amount of the contractual cash flows. The amendments shall require disclosure of contractual terms that could change the timing or amount of contractual cash flows upon the occurrence (or non-occurrence) of a contingent event that is not directly related to changes in the underlying credit risks and costs. The requirements shall apply to each class of financial asset measured at amortised cost or fair value through other comprehensive income as well as for each class of financial liability measured at amortised cost.

IFRS 18 Presentation and disclosure in financial statements, effective from 1 January 2027, adopted by the EU

IFRS 18 aims to improve the way in which entities present their financial statements, with a focus on information about financial performance in the statement of profit or loss. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flow. IFRS 18 enter into force on 1 January 2027. Companies are permitted to apply IFRS 18 before that date. IFRS 18 replaces IAS 1 Presentation of Financial Statements. The requirements in IAS 1, which have not been changed, have been transferred to IFRS 18 and other standards. IFRS 18 will affect all entities across all sectors. Although IFRS 18 will not affect how companies measure financial performance, it will affect how companies present and disclose financial performance. IFRS 18 aims to improve financial reporting by:

- a requirement for additional defined interim amounts in the income statement; The inclusion of defined subtotals in the Statement of profit or loss makes it easier to compare the financial results of entities and provides a consistent basis for analysis by investors.
- requiring disclosures about performance indicators set by management; The requirement for companies to disclose information on the performance indicators set by management enhances discipline in their use and transparency in their calculation.
- adding new principles for grouping (aggregating and disaggregating) information. Setting requirements as to whether information should be included in the main financial statements or in the notes, and providing principles on the necessary level of detail, improves the effective communication of information.

The following new standards, amendments and interpretations to existing standards, which have not yet come into force or been adopted by the EU for the financial year beginning on 1 January 2025, have not been applied by the Company at an earlier date and are not expected to have an effect on the Company's financial statements:

- Amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7), effective from 1 January 2026, as adopted by the EU
- IFRS 19 Subsidiaries without Public Accountability: Disclosures, effective from 1 January 2027, not yet adopted by the EU.
- Amendments to IFRS 19 Subsidiaries without Public Accountability: 'disclosure of information', effective from 1 January 2027, not yet adopted by the EU
- Amendments to IAS 21 Translation to a Hyperinflationary Presentation Currency, effective from 1 January 2027, not yet adopted by the EU

4. SIGNIFICANT ACCOUNTING POLICY INFORMATION

4.1. GENERAL PROVISIONS

he most significant accounting policies used in the preparation of these financial statements are set out below.

The financial statements have been prepared in accordance with the IFRS valuation principles for all types of assets, liabilities, income and expenses. The valuation bases are disclosed in greater detail in the accounting policies of the financial statements.

Accounting estimates and assumptions have been used in the preparation of the financial statements presented. Although they are based on information provided to management at the date of preparation of the financial statements, actual results may differ from estimates and assumptions made.

4.2. PRESENTATION OF FINANCIAL STATEMENTS

These financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements'. The Company presents the Statement of profit or loss and other comprehensive income in a single statement.

Two comparative periods are presented in the Statement of financial position when the Company: a) applies an accounting policy retrospectively; b) restates retrospectively items in the financial statements; or c) reclassifies items in the financial statements and this has a material effect on the information in the statement of financial position as at the beginning of the previous period.

4.3. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost in foreign currency are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when fair value was determined.

4.4. REVENUE

RECOGNITION AND MEASUREMENT OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The main revenue generated by the Company is related to the sale of natural gas.

The Company's two main areas of natural gas sales are as follows:

- on a regulated market — at prices regulated by the Energy and Water Regulatory Commission (EWRC) in accordance with the applicable legislation;
- Open market — at freely negotiated prices in several segments:
  - of customers directly connected to the gas transmission network;
  - on an organised stock market — in the country;
  - on an organized stock market — in countries where the Company has a Trading Licence
  - outside organized exchange market (domestic and international markets).

In its capacity of a Public supplier, Bulgargaz EAD provides a service of public interest — supply of natural gas to a range of persons stipulated in the Energy Act, at prices approved by the EWRC ('regulated prices'). Regulated prices shall be determined pursuant to Ordinance No 2 of 19 March 2013 on the regulation of natural gas prices issued by the State Energy and Water Regulatory Commission, promulgated in the State Gazette, Issue No 33 of 5 April 2013 ('Ordinance No 2').

Bulgargaz EAD has been supplying natural gas at regulated prices only to end suppliers of natural gas and to a person who had been issued a licence for production and transmission of thermal energy (Energy Act, Article 30, paragraph 1, item 7). The Energy Act obliges Bulgargaz EAD to supply natural gas to the heating and gas distribution companies, but they are not obliged to purchase gas from Bulgargaz EAD and may prefer other suppliers, as they may also purchase gas from the gas exchange.

For all other customers connected to the gas transmission network — production enterprises, thermal power plants, greenhouses, etc. ('industrial customers'), Bulgargaz EAD supplies natural gas at freely negotiated prices. Under contracts with customers at freely negotiated prices, Bulgargaz EAD performs the function of a natural gas trader on competitive terms.

To determine whether and how to recognize revenue, the Company uses the following 5 steps:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized either at a given time or over time when, or until the Company fulfils, its obligations to transfer the promised goods or services to its customers.

The Company recognizes revenue for each individual obligation to perform at the level of an individual contract with a customer by analysing the type, term and conditions for each specific contract. For contracts with similar characteristics, revenue is recognized on a portfolio basis only if grouping it into a portfolio would not have a materially different impact on the financial statements.

MEASUREMENT

Revenue is measured on the basis of the sales prices on the regulated and free market.

The transaction price is the amount of remuneration to which the Company expects to be entitled in exchange for the transfer of the promised goods or services to the customer, except for the amounts collected on behalf of third parties (for example, value added tax and excise duty). The remuneration promised in the contract with the customer may include fixed amounts, variable amounts, or both.

APPROACH FOR RECOGNITION OF MAIN TYPES OF REVENUE FROM CONTRACTS WITH CUSTOMERS

A. REVENUE FROM SALES OF NATURAL GAS

As a public supplier of natural gas, Bulgargaz EAD carries out the supply of natural gas all year round under a continuous routine of operation. The customer:

- simultaneously receives and consumes all of the benefits;
- receives control of the commodity (natural gas) by way of transfer of the legal title to the asset;
- bears the significant risks and rewards related to the ownership of the asset;
- accepts the asset.

As a result of the Company's activity, no asset with an alternative use is created for the Company and the Company has an enforceable right to payment for performance completed to date.

Sales revenue is recognized on each transfer of control over the assets sold when they are delivered to the buyer and there are no outstanding commitments that could affect the purchaser's acceptance of natural gas. Delivery

occurs for each asset dispatch to the specific place (pick-up point) and when the risks of potential losses have been transferred to the buyer and he has accepted the assets in accordance with the sales contract.

The amount of natural gas delivered to the customer on each of the days of the respective month is reflected in a Monthly Report containing information about the delivery obligations of Bulgargaz EAD and the customer's acceptance obligations.

The consideration from the customer for the sale of natural gas includes fixed and variable amounts.

The fixed amount is the sale price of the natural gas for each quarter of the year and is formed according to the Ordinance No 2 on Natural Gas Price Regulation. It is cost-oriented and consists of the following components: delivery price, a 'public provision component' (Article 17, paragraph 6 of the Ordinance on Natural Gas Price Regulation) and 'public service obligation' (Article 11a, paragraph 2 of the Ordinance on Natural Gas Price Regulation).

The charge for capacity and transmission of natural gas is determined in accordance with the Method for Determining the Access and Transmission Price published by the State Energy and Water Regulatory Commission in accordance with the tariffs of the Combined Operator, for the benefit of which it is collected on behalf of the customer.

The variable consideration is related to:

- deviations between the declared and actually delivered minimum annual amount of gas;
- deviations in the daily agreed amount of gas;
- delivered natural gas of deteriorated quality.

Sales payments are payable within 12 days of the issuance of the final invoice for the supply of natural gas, which is in line with market practice. It is considered that there is no financing component in the sales of natural gas.

A receivable is recognized when assets are delivered, as this is the moment when the right to receive consideration becomes unconditional and only the passage of time is required before payment becomes due.

The provisions of IAS 16 on like-kind swaps apply to transactions for the purchase and sale of natural gas under the conditions of swaps. The exchange does not generate a financial result.

In case of acquisition of LNG, if there is any difference between the original cost of LNG cargoes acquired and their cost after processing, the difference shall be charged to the reduction/increase in the cost of conventional natural gas and in proportion to the degasified natural gas delivered at the relevant point of delivery/gas pipeline. The value of LNG delivered or dispensed when sold as material is not recognised as revenue.

The Table below provides information about the accounting policy applied by the Company for revenue recognition and the timing of satisfaction of obligations for performance of the contracts with customers under IFRS 15.

Product/ Service type	**Nature and timing of satisfaction of performance obligations, including material payment terms**	**Revenue recognition under IFRS 15**
Revenues from the sale of natural gas (including revenues from penalties on unaccepted or over-collected amounts of gas)	As a public supplier and trader of natural gas, Bulgargaz EAD carries out the supply of natural gas all year round under a continuous routine of operation. The customer: • simultaneously receives and consumes all of the benefits; • receives control of the	Sales revenue is recognized on each transfer of control over the assets sold when they are delivered to the buyer and there are no outstanding commitments that could affect the purchaser's acceptance of natural gas. Delivery occurs for each asset dispatch to the specific place (pick-up point) and when the risks of potential losses have been transferred to the buyer and he has accepted the assets in accordance with the sales contract.

Product/ Service type	Nature and timing of satisfaction of performance obligations, including material payment terms	Revenue recognition under IFRS 15
	commodity (natural gas) by way of transfer of the legal title to the asset; • bears the significant risks and rewards related to the ownership of the asset; • accepts the asset. As a result of the Company's activity, no asset with an alternative use is created for the Company and the Company has an enforceable right to payment for performance completed to date.	The amounts of natural gas delivered to the customer on each of the days of the respective month is reflected in a Monthly Report containing information about the delivery and the customer's acceptance obligations. The transaction price is the amount of remuneration to which the enterprise expects to be entitled in exchange for the transfer of the promised goods or services to the customer, except for the amounts collected on behalf of third parties (value added tax and excise duty). The consideration from the customer for the sale of natural gas includes fixed and variable amounts. The fixed amount is the selling price of the natural gas. The variable consideration is related to: — deviations in the daily agreed amounts of gas — deviations between the declared and actually delivered minimum annual amount of gas; — delivered natural gas of deteriorated quality. Sales payments are payable within 12 days of the issuance of the final invoice for the supply of natural gas, which is in line with market practice.
Revenues from sale of natural gas for balancing	For the performance of the supply of natural gas to the customers Bulgargaz EAD has a contract for access and transmission of natural gas through the territory of Bulgaria with the combined operator Bulgartransgaz EAD. There is a gas purchase and sale agreement for balancing, which is an integral part of the access and transmission agreement. The balancing is also of continuous nature and the customer receives and consumes the benefits simultaneously. The revenue is recognized over time, as with the sale of natural gas described above.	The remuneration from the customer for the sale of natural gas for balancing includes fixed amounts and is based on the price for the sale of natural gas for the current month + a balancing cost component determined and fixed by the EWRC for the gas year. There is no financing component to balancing gas sales, as the payment for the sales is due within 20—25 days of invoice issuance, which is in accordance with the market practice.

B. REVENUES FROM SALE OF NATURAL GAS FOR BALANCING

For the performance of the supply of natural gas to the customers Bulgargaz EAD has a contract for access and transmission of natural gas through the territory of Bulgaria with the combined operator Bulgartransgaz EAD. There is a gas purchase and sale agreement for balancing, which is an integral part of the access and transmission agreement. The balancing is also of continuous nature and the customer receives and consumes the benefits simultaneously. The revenue is recognized over time, as with the sale of natural gas described above.

The remuneration from the customer for the sale of natural gas for balancing shall be determined on the basis of the Methodology for Determination of Daily Imbalance Fee approved by the EWRC. The remuneration includes a percentage deviation determined and fixed by the EWRC for the gas year.

There is no financing component to balancing gas sales, as the payment for the sales is due within 20—25 days of invoice issuance, which is in accordance with the market practice.

A receivable is recognized when assets are delivered, as this is the moment when the right to receive consideration becomes unconditional and only the passage of time is required before payment becomes due.

C. PENALTIES ON OVERDUE RECEIVABLES

Revenue from penalties on overdue receivables is recognized when the Company's right to receive payment is established.

D. INTEREST INCOME

Interest income is calculated by applying the effective interest rate on the gross carrying amount of financial assets except for financial assets impaired (Phase 3) for which interest income is calculated by applying the effective interest rate on their depreciated value (the gross carrying amount adjusted for the provision for expected credit losses).

E. DETERMINING WHETHER THE COMPANY ACTS AS A PRINCIPAL OR AN AGENT

When a third party is involved in providing goods or services to a customer, the Company determines whether the nature of his promise is an obligation to perform related to the provision of the particular goods or services (principal) or to the arranging for the other party to provide those goods or services (agent).

The company is the principal when controlling the promised commodity or service before transferring it to the customer. However, the Company does not necessarily act as the principal if it receives the ownership of an asset only temporarily before the ownership right is transferred to the customer.

The Company is an agent if the Company's obligation to perform is to arrange the delivery of the goods or services from a third party. When an agent company fulfils an obligation to perform, it recognizes revenue at the amount of a fee or commission it expects to be entitled to in exchange for arranging for the goods and services to be provided by another party. The fee or commission of the Company may be the net amount of remuneration the Company retains after paying to the other party the consideration received in exchange for the goods or services to be provided by that party.

The indicators that the Company is an agent include the following elements:

- A third party has primary responsibility for fulfilling the contract;
- The company has no inventory risk before or after the goods have been ordered by the customer, during shipping or on return;
- The company does not have discretion to establish pricing for the other party's goods or services, therefore, the benefit the entity can receive from those goods or services is limited;
- The company's consideration is in the form of a commission;
- The company is not exposed to credit risk for the amount receivable in exchange for the goods or services.

F. BALANCES UNDER CONTRACTS WITH CUSTOMERS

Trade receivables and contract assets

Receivable is the right of the Company to receive remuneration at a certain amount, which is unconditional (i.e., before the payment of the remuneration becomes due, it is only necessary to expire a certain period of time).

The contract asset is the right of the Company to receive consideration in exchange for the goods or services it has transferred to the customer but which is not unconditional (the accrual for the receivable). If, through the transfer of the goods and/or the provision of services, the Company fulfils its obligation before the customer pays the relevant consideration and/or before the payment becomes due, a contract asset is recognized for the earned remuneration (which is conditional). Recognized contract assets are reclassified as a trade receivable when the right to remuneration becomes unconditional.

Contract liabilities

As a contract liability, the Company presents the payments received by the customer and/or an unconditional right to receive a payment before fulfilling its contractual obligations. Contract liabilities are recognized as income when (or as) it settles the obligations to perform.

Assets and liabilities arising from a contract are presented net in the statement of financial position even if they are the result of different contractual obligations for performance of the contract.

After initial recognition, contract trade receivables and assets are subject to an impairment review in accordance with the IFRS 9 Financial Instruments.

4.5. OPERATING EXPENSES

Operating expenses are recognized in profit or loss upon utilization of the service or on the date of their origin in accordance with the income matching principle.

Asset impairment losses include impairment charges recorded for financial assets (accounts receivable), impairment of non-financial assets (inventories, advances granted for the purchase of natural gas).

Deviations within the uncertainty class

Deviations within the 'uncertainty' class of the measurement systems are reported monthly on the basis of a gas balance report prepared by the Operational control and balance of natural gas and, the relevant protocols and monthly reports for the supply and consumption of gas. The value of these differences is based on the amounts and the average weighted cost of gas for the month.

4.6. INTEREST EXPENSES AND BORROWING COSTS

Interest expenses are recognized on a current basis using the effective interest rate method.

Borrowing costs primarily comprise interest on the Company's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time when the asset is expected to be completed and prepared for its intended use or sale. Other borrowing costs are recognized in the period in which they occurred and reported in the Statement of profit and loss and other comprehensive income in the line 'Interest expenses and bank charges and commissions'.

4.7. INCOME TAXES

Tax expenses recognized in profit or loss comprise the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable income, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws in force at the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting. There are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are recognized in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Regarding management's assessment of the likelihood of future taxable income being available through which to utilize deferred tax assets, see Note 5.6.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4.8. PROPERTY, PLANT AND EQUIPMENT

The Company's property consists of a leased building classified as a right-of-use asset. Plant and equipment are initially recognized at cost, including purchase price and any directly attributable costs of bringing the asset to working condition. Subsequent measurement after initial recognition is applied to a whole class of identical assets as follows:

No	Class of property, plant and equipment	Subsequent evaluation model
1	Plant and equipment	Revaluation model
2	Computer systems	Acquisition price
3	Vehicles	
	• trucks	Revaluation model
	• cars	Acquisition price
	• special vehicles	Revaluation model
4	Office equipment and inventory	Acquisition price

No	Class of property, plant and equipment	Subsequent evaluation model
5	Spare parts, recognized as plant and equipment	Revaluation model
6	Other plant and equipment	Acquisition price
7	Leased buildings, real estate	Acquisition price determined by virtue of IFRS 16

Plant and equipment, for which revaluation model is applied, are subsequently valued at a revalued amount, equal to the fair value at the date of the revaluation less any subsequently accumulated depreciation and impairment losses. Revaluations made are presented in the Statement of profit and loss and other comprehensive income and reported at the expense of the equity (revaluation reserve) and if no expenses have been incurred before that. Upon sale or disposal of the revalued asset, the remaining revaluation reserve is discharged against retained earnings.

Revaluations are carried out according to the following frequency:

- in case the fair value of assets changes insignificantly, the assets are revaluated every three years;
- in case the fair value of plant and equipment changes significantly in short-term intervals, they are revaluated at short-term intervals, so that the asset's carrying amount not to differ materially from its fair value;

The frequency of subsequent revaluation of plant and equipment, when applying the revaluation model depends on whether the carrying amount substantially differs from the fair value of a certain revalued asset at the end of the reporting period.

In this regard, when performing the annual stock-tacking at the end of the reporting period (end of financial year) the Company reviews the plant and equipment for indications that if their carrying amount differs materially from their fair value. As a significant deviation is assumed a deviation of the asset's carrying amount from its fair value at the date of preparation of the financial statements with more than 5%. Significant deviation is also a deviation below 5%, but the difference between the plant and equipment's carrying amount and its fair value, as a cumulative value, is significant for the purposes of preparation of the financial statements.

Plant and equipment for which revaluation model is not applied, are subsequently valued at purchase price less the accumulated depreciation and impairment losses. Impairment made is calculated as a cost and are recognized in the statement of profit or loss and other comprehensive income for the relevant period.

Subsequent expenditures relating to an item of plant and equipment are added to the carrying amount of the asset when it is probable that the Company has economic benefits in excess of the asset's originally assessed effectiveness. All other subsequent expenditure is recognized as such for the period it is made.

Depreciation of plant and equipment is calculated by using the straight-line method over the estimated useful life of assets' groups, as follows:

Plant and equipment	2—7 years
Vehicles	2—12 years
Computers	2 years
Leased buildings	For the term of the lease agreement

Plant and equipment is derecognised upon their sale or when no expected future economic benefits from its use or disposal. Profit or loss arising out from writing off of the asset representing the difference between the net disposal proceeds, if any, and the carrying amount of the asset, are recognized in Statement of profit or loss and other comprehensive income, when the asset is written-off.

At the end of each financial year the residual values, useful life and methods of depreciation are reviewed, and, if expectations differ from previous estimates, the latter are changed in future periods.

Materiality threshold for Company's property, plant and equipment amounts to BGN 500.

Plant and equipment acquired under finance lease agreement are depreciated based on their expected useful life, determined by reference to comparable own assets or based on the period of the lease contract, if shorter.

4.9. INTANGIBLE ASSETS

Intangible assets include licences and software products. They are accounted by their acquisition price, including any paid duties and non-refundable taxes, and any directly attributable expenditure on preparing the asset for its intended use, whereby capitalized costs are depreciated on a straight line basis over their estimated useful lives, as these assets are considered finite. Upon acquisition of an intangible asset resulting from a business combination of its cost is equal to the fair value at the acquisition date.

Subsequent recognition is carried out at purchase price less any accumulated depreciation and any accumulated impairment losses. Impairment made is calculated as a cost and are recognized in the statement of profit or loss and other comprehensive income for the relevant period.

Subsequent expenditure incurred in relation to intangible assets after initial recognition are recognized in the statement of profit or loss and other comprehensive income for the period of their occurrence, unless this expenditure would enable the asset to generate future economic benefits in excess of its originally assessed standard of performance, and where this expenditure may be measured reliably and attributed to the asset. If these two conditions are met, the expenditure is added to the cost of the asset.

Intangible assets' residual values and useful lives are reviewed by the management at each reporting date.

Depreciation of intangible assets is calculated by using the straight-line method over the estimated useful life of individual assets, as follows:

Public supplier licences	35 years
Software applications	10 years

The gain or loss arising out of the sale of an intangible asset is determined as the difference between the proceeds from sales and the carrying amount of the asset, and is recognized in the statement of profit or loss and other comprehensive income in line 'Other revenue'.

The materiality threshold as adopted by the Company for the intangible assets amounts to BGN 500.00.

4.10. REPORTING OF LEASE CONTRACTS

A. THE COMPANY AS A LESSEE

For all contracts, the Company assesses whether the contract is or consists of a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Company assesses whether the contract meets three key assessments, which are:

- the contract contains a specific asset that is either explicitly identified in the contract, or; is implicitly specified by being identified at the time that the asset is made available for use to the Company;

- the Company is entitled to receive substantially all the economic benefits from the use of the specified asset throughout the period of use, taking into account its rights within the defined scope of the contract;

- The Company has the right to direct the use of the designated asset throughout the period of use. The Company assesses whether it is entitled to direct the 'how and for what purpose' of the asset to use throughout the period of use.

At the inception of the lease, the Company recognizes an asset with a right to use and a lease payable in the balance sheet. The asset with a right to use is measured at cost, which consists of the initial assessment of the lease liability, all initial direct costs incurred by the Company, an estimate of all costs for dismantling and disposal of the asset at the end of the lease and any lease payments made before the start date of the lease (without any incentive received).

The Company depreciates assets with the right to use on a straight-line basis from the date of inception of the lease to the earlier of the useful life of the asset with the right to use or the end of the lease term. The Company also performs a review of impairment of the asset with the right to use when such indicators exist.

At the inception date, the Company estimates the lease payable at the current amount of the lease payments outstanding at that date discounted using the interest rate included in the lease contract. If this rate cannot be directly determined, the company uses the interest rate it would have to pay to borrow for a similar period of time with similar collateral the funds needed to obtain an asset of similar value in a similar economic environment.

The lease payments included in the measurement of the lease payable consist of fixed payments, variable payments based on an index or a percentage, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to exercise.

After the inception date, the Company measures the lease liability by increasing its carrying amount to reflect interest on the leasing liability and reducing its carrying amount to reflect the lease payments made, and remeasures the carrying amount of the liability to reflect revaluations or changes in the lease or to reflect the substantially adjusted lease payments.

The Company is exposed to potential future increases in variable lease payments based on an index or interest rate that are not included in the lease liability until they enter into force. When adjustments to lease payments take effect, based on an index or interest, the lease liability is remeasured and adjusted against the asset with a right to use.

When the lease liability is revalued, the relevant adjustment is reflected in the asset with a right to use or in profit and loss if the asset with a right to use is already reduced to zero.

The Company has chosen to account for short-term leases and lease contracts, the main asset of which is of low value, using exemptions from recognition requirements. Instead of recognizing an asset with a right to use and a lease obligation, the related payments are recognized as an expense in the profit or loss on a straight line over the lease term.

In the statement of financial position, the assets with a right to use are included in Property, plant and equipment assets, and lease payables are included in lease payables.

B. THE COMPANY AS A LESSOR

The Group's accounting policies under IFRS 16 have not changed since the comparative period.

The Company is not a lessor. In case of transactions occurred as a lessor, the Company classifies its leases as operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset and is classified as an operating lease if it does not.

4.11. NON-CURRENT ASSETS IMPAIRMENT TESTS

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All assets and cash-generating units are tested for impairment at least once per year. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their carrying amount cannot be recovered.

As impairment loss is recognized the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less the sale cost of an asset and its value-in-use. To determine the value-in-use, the management of the Company estimates expected future cash flows from each cash-generating unit and determines a suitable discount factor in order to calculate the current amount of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and assets enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the management of the Company.

Impairment losses for cash-generating units reduce the carrying amount of the assets allocated to that cash-generating unit. All assets are subsequently reassessed by the management for indications that an impairment loss previously recognized may no longer exist or is decreased. Impairment, recognized in previous period is recovered if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.12. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that represents: cash, an equity instrument of another entity, a contractual right to receive or exchange, on potentially favourable terms, cash or financial instruments with another entity, and a contract that will be settled by instruments of The Company's equity is a non-derivative in which it may or will receive a variable number of its equity instruments, or a derivative that may or may be settled by exchange of a fixed amount of cash or other assets. d financial assets, against a fixed number of equity instruments.

A financial liability is any liability that represents: a contractual right to grant or exchange, on potentially unfavourable terms, cash or financial instruments with another entity, as well as a contract that will be settled by the issuer's equity instruments and is a non-derivative in which the Company may or will receive a variable number of the entity's equity instruments, or a derivative that may or may be settled, other than by exchanging a fixed amount of cash or other financial assets, cf. vs. fixed number of equity instruments of the entity.

4.12.1. FINANCIAL ASSETS

Initial recognition and qualification

The Company initially recognizes a financial asset at the time it becomes a party to a contractual arrangement and classifies it according to the business model for managing financial assets and the characteristics of the contracted cash flows.

The Company classifies its financial assets according to their subsequent measurement in three categories: 'financial assets measured at depreciated cost', 'financial assets measured at fair value through other comprehensive income' or 'financial assets at fair value through profit or loss', as appropriate, under the contractual terms of the instruments and established business models in the Company in accordance with IFRS 9.

The business model of the Financial Assets Management Company refers to the way in which it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from the collection of contractual cash flows, the sale of financial assets, or both.

The management of the Company has determined that the financial assets representing cash in bank, trade receivables, other receivables, court and awarded receivables and receivables from related parties are held by the Company in order to obtain the agreed cash flows and are expected to generate cash flows, representing only payments of principal and interest (business model applied). These financial assets are classified and subsequently measured at depreciated cost.

Initial measurement

Initially, all financial assets, excluding trade receivables, are measured at their fair value plus direct transaction costs if they are not carried at fair value through profit or loss when initially recognized as net of transaction costs. Trade receivables that do not have a significant component of financing and for which the Company applies the practically feasible measure under IFRS 15 in this respect are initially measured at the transaction price in accordance with IFRS 15.

Subsequent measurement and presentation

For the purposes of subsequent assessment and presentation, financial assets shall be classified in one of the following categories: 'financial assets measured at amortized cost' (debt instruments), 'financial assets measured at fair value through other comprehensive income with reclassification of accumulated profits and losses' (debt instruments), 'financial assets measured at fair value through other comprehensive income, without reclassification of accumulated profits or losses on write-off' (capital instruments) or 'financial assets measured at fair value in profit or loss' (debt and capital instruments).

Financial assets at amortized cost (debt instruments)

This category includes cash in banks, trade receivables, other receivables, court and awarded receivables and receivables from related parties. This category of financial assets is the most significant for the Company.

The Company measures and measures financial assets at depreciated cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets to collect the contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement is carried out using the 'effective interest' method through which interest income is calculated using the effective interest rate applied to the gross carrying amount of the instruments. For purchased or originated assets with initial credit impairment and those with a subsequently recognized credit impairment, the credit-adjusted effective interest rate, respectively the effective interest rate, is applied to the depreciated cost of the asset.

Financial assets in this category are subject to impairment testing at the date of each financial statement of the Company, the changes being reflected in profit or loss.

Profit or loss are recognized in profit or loss when the asset is written-off, changed or impaired.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows of the asset have expired or the Company has transferred its rights to receive cash flows from the asset underwent the obligation to pay all the cash flows received without significant delay to a third party under a 'transfer' arrangement.

When a financial asset is derecognised in its entirety, the difference between 1) the carrying amount (measured at the date of derecognition) and 2) the consideration received (including any new asset received without the new assumption of a new liability) is recognized in profit or loss.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, it assesses whether and to what extent the risks and rewards of ownership are preserved. When neither transfers nor substantially retains all the risks and rewards of the asset nor transfers control over the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In this case, the Company recognizes a related liability. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognizes provisions for expected credit losses for all debt instruments, which are not reported at fair value in the profit or loss by applying the approach set out in the Table below:

	Type of financial asset	Category under IFRS 9	Impairment approach
1	Short-term trade receivables	Debt instruments measured at depreciated cost	Simplified approach
2	Trade receivables with a financing component	Debt instruments measured at depreciated cost	Standardized approach
3	Short-term receivables from related parties	Debt instruments measured at depreciated cost	Simplified approach
4	Receivables from related parties with a financing component	Debt instruments measured at depreciated cost	Standardized approach
5	Receivables under borrowings granted	Debt instruments measured at depreciated cost	Standardized approach
6	Cash and cash equivalents	Debt instruments measured at depreciated cost	Standardized approach
7	Other financial, court and awarded receivables	Debt instruments measured at depreciated cost	Simplified approach

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the current amount of each shortage of money) over the expected term of the financial instrument. Monetary deficiency is the difference between the cash flows payable to the Company in accordance with the contract and the cash flows that the Company expects to receive. Because the expected credit losses account for the amount and timing of payments, an expected credit loss is recognized even if the Company expects the asset to be fully paid but later than the due date.

Impairment and losses on financial instruments are dealt with in three stages, the first two being the expected credit losses for losses that may arise as a result of default events, and the third as credit impairment (loss), based on evidence of potential or actual default under the instruments.

Expected credit losses for exposures for which there is no significant increase in the credit risk compared to the initial recognition are recognized for credit losses that may arise as a result of default events over the next 12 months. For credit exposures for which there is a significant increase in the credit risk after initial recognition, a loss adjustment for the expected credit losses over the remaining life of the exposure is required, irrespective of the timing of the default (lifetime ECL).

For trade receivables and contract assets arising from transactions in the scope of IFRS 15 that do not contain a significant component of finance, the Company applies a simplified approach in accordance with IFRS 9 by recognizing a provision for impairment loss for expected credit losses based on the expected credit loss for the lifetime of the receivables at each reporting date. The Company applies a matrix that calculates the expected credit losses on trade receivables. Receivables are classified by days in arrears and are grouped by type and customer segments with different credit loss models.

For baseline data on trade receivables, the Company uses its accumulated experience of credit losses on such instruments to measure expected credit losses. The historical data used is for periods of 3 to 5 years back, grouped by type and corresponding customer segment models, and adjusted by forecast factors specific to debtors and the industry concerned.

For cash in banks, the Company recognizes impairment for expected credit losses by applying the Standardized Approach and the credit rating of the financial institutions in which the Company has deposited its cash is used to determine the loss from default in the model parameters.

At each reporting date, the Company sets the depreciation allowance for each instrument to the amount of expected lifetime losses if the credit risk for that instrument has increased significantly since the initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly from the time of initial recognition, the impairment for that financial instrument is equal to the expected 12-month credit losses.

4.12.2. FINANCIAL LIABILITIES

Initial recognition, classification and measurement

The Company recognizes a financial liability in the statement of financial position only when it becomes a party to the contractual terms of the financial instrument.

Upon their initial recognition, financial liabilities are classified as: 'financial liabilities subsequently measured at depreciated cost' (borrowings and funds raised, trade and other payables) or 'financial liabilities measured at fair value through profit or loss'.

Initial recognition occurs at the settlement date and is carried at fair value plus, in the case of financial liabilities that are not carried at fair value through profit or loss, directly attributable to the acquisition or issue of the financial liability. Received borrowings management fees are deferred over the borrowing period using the effective interest method and are included in the depreciated cost of the borrowings.

The financial liabilities of the Company include borrowings, trade and other payables and payables to related parties.

According to their repayment term, financial liabilities are classified as long-term and short-term.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at their initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are made for redemption purposes in the near future.

Profit or loss on liabilities held for trading are recognized in profit or loss and other comprehensive income.

Financial liabilities designated at their initial recognition at fair value through profit or loss are determined at the initial recognition date and only if the criteria in IFRS 9 are met.

The Company has not designated financial liabilities as measured at fair value through profit or loss.

Financial liabilities measured at depreciated cost

The category 'financial liabilities at depreciated cost' includes borrowings received, trade payables and other payables where the Company has become a party to a contract or arrangement and should be settled in net cash. This category has the most significant share for the Company's financial instruments and for it as a whole.

Financial liabilities are subsequently measured at depreciated cost using the effective interest method. The depreciated cost is calculated, taking into account any discount or premium on acquisition, also charges or expenses that are an integral part of the effective interest rate. Expenditure (calculated using the effective interest method) is included as financial expense in the separate profit or loss account and other comprehensive income in line 'Financial expenses'.

For financial liabilities that are measured at depreciated cost, profit or loss is recognized in profit or loss for the period when the financial asset or financial liability is derecognized or impaired through the depreciation process.

Trade payables are initially recognized at their nominal value and are subsequently measured at depreciated cost less payment to settle.

Dividends payable to the sole shareholder are recognized when the dividends are approved at the General Meeting.

Derecognition

The Company derecognises a financial liability only when the instrument fulfils (settles) the obligation, the liability expires or the creditor waives its rights.

Where an existing financial liability has been replaced by another by the same lender under substantially different conditions or the terms of an existing obligation have been materially changed, such an exchange or change is treated as a write-off of the original liability and recognition of a new liability. The difference in the appropriate carrying amounts is recognized in the profit or loss.

The difference between the carrying amount of a financial liability settled or transferred to another party and the consideration paid for settlement, including cash and the transfer of non-monetary assets, is recognized in profit or loss for the period.

Compensation of financial instruments

Financial assets and financial liabilities are offset and the net amount is recognized in the statement of financial position if there is a legally enforceable right to offset the amounts recognized and the Company intends to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.13. INVENTORIES

Inventories include materials and commodities — natural gas.

Inventories are measured at the lower of prime cost and net realizable value.

In compliance with a Methodology for price formation for access and transmission of natural gas through the gas transmission network of the operator (Bulgartransgaz EAD), and the decisions of the Energy and Water Regulatory Commission (EWRC) for the approval of the prices for the operator's services in the MWh unit of measurement, Bulgargaz EAD takes into account the sales of natural gas in the same unit of measurement.

GAS IN UNDERGROUND GAS STORAGES

The underground gas storage contains two types of natural gas — operating gas, part of which is owned by the Company, and cushion gas, which is owned by the operator of the gas transmission system Bulgartransgaz EAD.

The operating gas owned by the Company may be used without causing any negative impacts on the future use of the underground gas storage. Its amount is determined through the specialized measuring system owned by the operator, and at the end of each month the Company and Bulgartransgaz EAD sign protocols evidencing the amount of the measured operating gas available in the gas storage.

The cushion gas owned by Bulgartransgaz EAD forms an integral part of the underground gas storage and is of major importance to its functioning.

The cost of gas purchased comprises the direct purchase expenses — purchase price, transport costs, liquefied natural gas processing costs, transit fee for the transmission of gas through the territory of Turkey and Greece to an entry point of the country's gas transmission system, transition fee for the transmission and capacity of natural gas through the territory of Republic of Bulgaria, non-refundable taxes and charges, and other direct costs.

Costs for the storage of natural gas in an underground storage are reported as current expense.

Net realisable value is the estimated sales price in the ordinary course of business, less the approximately estimated costs of completion of the manufacturing cycle and the estimated costs necessary to make the sale. In determining the net realisable value at the end of the reporting period, the market levels of the TTFfm index according to the futures published on argusmedia.com for January of the following (calendar/financial) year are used:

In case that the natural gas has already been impaired to net realizable value and in a subsequent period it turns out that the conditions, which have led to this impairment no longer exist, then the newly determined net realizable value is accepted. The reversal of the impairment is limited to the carrying amount of the natural gas prior to its impairment. Such reversal is recognised in profit or loss for the period in which it has occurred.

4.14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, current bank accounts, demand deposits and deposits up to 3 (three) months, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.15. EQUITY AND RESERVES

Share capital represents the nominal value of shares that have been issued.

Reserves include legal reserves and revaluation of non-current assets and reserve from revaluation of defined benefit obligations.

Retained earnings and accumulated loss include current financial results and accumulated earnings and uncovered losses from previous years.

All transactions with the sole shareholder of the Company are presented separately in the statement of changes in equity.

4.16. POST-EMPLOYMENT BENEFITS AND SHORT-TERM EMPLOYEE BENEFITS

The Company recognizes short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected the leaves to occur within 12 months after the end of the reported period during, which the employees have performed the work related to those leaves. The short-term payables to personnel include salaries and related social security payments.

In accordance with Labour Code requirements, in case of retirement, after the employee has become eligible acquired for pension due to years of services and age, the Company is obliged to pay him/her compensation at the amount of up to six gross salaries. The Company has recognized a liability by law for the payment of retirement compensation in accordance with IAS 19 'Employee Benefits'. The amount is based on forecasts made for the next five years, currently discounted with the long-term income percentage of risk free guarantees.

The management of the Company estimates the defined benefit obligations once annually with the assistance of independent actuary. The estimate of its post-retirement benefit obligations is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Company's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial profit or loss are recognized in other comprehensive income.

Interest expenses related to pension obligations are included in line 'Financial costs' in the Statement of profit or loss and other comprehensive income. All other post-employment benefit expenses are included in 'Employee benefits expenses'.

Short-term employee benefits, including holiday entitlement, are current liabilities included in lines 'Trade and other payables' and 'Retirement benefit obligations', measured at the undiscounted amount that the Company expects to pay.

The Company has not developed and implemented plans for employee benefits after resignation.

4.17. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts may be estimated reliably. Timing or amount of the outflow may be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example warranties, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or

management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future losses.

Provisions are measured at the most reliably estimated expenditure required to settle a present obligation, based on the most reliable evidence available at the end of the reporting period, taking into account the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted when the effect of time differences in money value is significant.

Any reimbursement that the Company is certain to collect from a third party with respect to an obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at the end of each reporting date and adjusted to present the best current estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Contingent liabilities should be measured subsequently at the higher value between the above described comparable provision and the amount initially recognized decreased with accumulated depreciation.

Possible inflows of economic benefits, which do not yet meet the recognition criteria of an asset, are considered contingent assets.

5. SIGNIFICANT ESTIMATES IN APPLYING THE ACCOUNTANCY POLICY OF THE COMPANY. KEY JUDGEMENTS AND ASSUMPTIONS WITH HIGH UNCERTAINTY

Upon preparing the financial statements, the Management makes a number of assumptions, estimates and assumptions regarding the recognition and measurement of assets, liabilities, revenue and costs. The actual results may differ from the Management's assumptions, estimates and assumptions and, in rare cases, are fully consistent with pre-estimated results.

Upon preparing the presented financial statements, the Management's significant judgements in applying the Company's accounting policies and the main sources of uncertainty in accounting estimates do not differ from those disclosed in the Company's annual financial statements as at 31 December 2024. Information about the significant assumptions, estimates and assumptions having the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is presented below.

5.1. IMPAIRMENT OF FINANCIAL ASSETS

Recognition and measurement of expected credit losses of debt instruments measured at depreciated cost

Approach for impairment of short-term trade and other receivables and receivables from related parties

The Company applies a simplified approach to calculate the expected credit losses for trade receivables that do not contain an element of finance.

For the purpose of determining the expected credit losses the company applies models at the level of customer's industry. The models allow the inherent assessment of financial risk that customers bring to companies in the Company.

Expected credit losses are calculated for each single receivable (invoice, interest rate, etc.) that puts a counterparty in a debt, adjusted on the basis of past due dates and the standard counterparty payment cycle. The average number of days of customer's delay is determined on the basis of historical information about the customer's coverage period. The retrospective review is for a period of 3 to 5 years.

For the purpose of calculating the expected credit losses for financial assets arising from contracts with contractors from the energy industry, the Company has determined the existence of additional risk. Trade receivables arising from counterparties in the above industry are therefore considered to be of higher risk.

The additional risk is identified on the basis of a historical experience of the Company's collection of receivables with counterparties from this industry, including deteriorated financial condition, liquidity problems and other difficulties, especially for traders of electricity.

The identified risk factors are considered an indication of a possible increase in credit risk. The quantitative effect of credit risk growth on counterparties from the energy industry is determined by separating an additional industry, 'Energy – High Risk', which adds the 'specific risk' component that is involved in determining the discount rate used for the calculation of the amount of impairment. The assessment of the ratio between observed historical default data, estimated economic conditions, industry risk rating, and the amount of expected credit losses is a significant estimate. Information on impairment of expected credit losses of the Company is presented in Note 24.

In reviewing the annual estimates associated with the application of the ECL model, management has made a judgment that for counterparties with elevated credit risk or with the presence of a concentration for credit risk, it is permissible to apply an individual approach. This judgement is based on market developments, the behaviour of the relevant counterparty up to and including the date of the estimates, circumstances that arise such as the existence of legal actions, the taking of collateral and the like. In this regard, in calculating the impairment losses on trade receivables as at 31 December 2025, management has considered the receivables settled up to the date of assessment, prepared a detailed historical analysis of collection over a three-year period and determined an appropriate discount factor to reflect the risks of the industry, counterparty, its geographical location and other specific risk characteristics.

Approach for impairment of granted borrowings, trade receivables and receivables from related parties with a financing element

The Company applies an individual approach for impairment of receivables with an element of financing and of granted credits. The impairment model is based on the cash flows agreed in the financial instrument, as well as the assumptions and estimates of expected cash flows and the realization of the financial asset adopted by the management in the preparation of the financial statements.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the current amount of each shortage of money) over the expected term of the financial instrument. Monetary deficiency is the difference between the cash flows payable to the Company in accordance with the contract and the cash flows that the Company expects to receive. Because the expected credit losses account for the amount and timing of payments, an expected credit loss is recognized even if the Company expects the asset to be fully paid but later than the due date.

Depending on the characteristics of the asset and the counterparty, the expected future cash flows from the asset may materially differ from the contracted assets. This would also lead to significant levels of expected credit losses on the asset.

Revision of expected future cash flows for each specific asset is made at each reporting date.

Approach for impairment of court and awarded receivables

In cases where the Company has undertaken legal actions to satisfy its claims, these are classified as court receivables. This type of receivables is characterized by an absolute default — i.e. unwillingness or inability of the customer to settle its obligation. For this reason, irrespective of the existence of decisions of judicial authorities and the started enforcement procedures, the collection of these receivables and respectively the expected future cash flows are determined as such at a low level of probability, and the probability of default has already occurred with respect to the original asset, i.e. it is equal to 100%.

In 2025 the Company reviewed the methodology and assumptions used to determine the estimate of expected credit losses on litigation and adjudicated receivables in the prior reporting period. The analysis is intended to reduce the differences between estimates and actual credit losses. In connection with the review, the Company determined that all litigation receivables that were from customers declared bankrupt should be completely impaired.

Approach for impairment of cash in banks

Cash and cash equivalents are the most liquid financial instruments. They do not carry any settlement risk, and the liquidity risk they carry is limited to the technical possibility for their disposal not to be fulfilled. However, cash deposited with banks carry a counterparty credit risk (risk of default). Counterparty risk is the likelihood that the counterparty in a financial transaction will not fulfil its contractual obligations. The Company applies the standardized approach for calculating the expected credit losses of cash in banks and the credit rating of the financial institutions in which the Company has deposited its cash is used to determine the loss given default in the model parameters. As at 31 December 2025, the Management's best estimate of expected credit losses of cash in banks shall be a reintegrated credit loss in the amount of BGN 2 thousand. (31 December 2024: accrued loss – BGN 3,000) (Note 4.12.1 and Note 24).

Expected credit losses are the sum of the expected credit losses for each court and awarded receivable based on the historical collection of this asset class. Further information is also provided in Note 24.

5.2. IMPAIRMENT OF INVENTORY

Impairment of natural gas stocks is recognized up to its net realizable value. The determination of impairment requires the Management to assess the turnover of stocks of natural gas and its possible realization through sale. The Company's Management believes that the carrying amount of inventories consisting of natural gas represents the best estimate of its net realizable value as at the date of statement of financial position according to IAS 2 Inventories. Additional information is disclosed in Note 12.

In accordance with the Company's accounting policy effective 1 January 2023 and updated on 1 May 2024, a reference TTFfm price for January of the following calendar year is used in determining the net realizable value of natural gas at the end of the reporting period: This management judgment is based on the Company's operating cycle, the seasonal nature of natural gas withdrawal and injection, and the commitments made under the Contingency Plan to maintain certain quantities of available natural gas at the UGS Chiren.

5.3. IMPAIRMENT OF ADVANCES FOR THE PURCHASE OF NATURAL GAS

The company recognises an impairment on advances paid for the purchase of natural gas when their carrying amount exceeds their recoverable value. Determining the recoverable value of prepaid natural gas supplies requires the management to estimate the expected value at which the prepaid quantities will be drawn down. As the advances relate to the natural gas supply , the Company's management considers that the price of natural gas on the exchange market (TTFfm price) represents the best estimate of its net realizable value as at the date of the statement of financial position. Consequently, when determining the recoverable value of prepaid natural gas supplies, where these have not been utilised in accordance with the originally agreed terms or schedule, management refers to this very same reference market value of natural gas. This assessment by management is based on the Company's operating cycle, the seasonal nature of natural gas withdrawal and injection, market demand, and the Company's commitments.

5.4. PROVISIONS

The Company is a defendant on several lawsuits as at 31 December 2025, the outcome of which may lead to liabilities of a value other than the amount of provisions recognized in the financial statements. As at 31 December 2025, the best estimate of the required provision for claims against the Company amounted to BGN 53,715 thousand (31 December 2024: BGN 53,715 thousand). Additional information is disclosed in Note 34.

In preparing the annual financial statements, the Company's management has prepared its analysis of the operation, performance and expected development and enforcement of material contracts under which costs are expected to be incurred to settle obligations thereunder. The most significant such contract is the agreement for access to the LNG regasification terminals in Turkey and its subsequent transportation to the territory of the Republic of Bulgaria as disclosed in Note 2.2 of this report. Based on its analysis, including and based on all information available to the Company's internal and external management, the Company has concluded that the agreement between Bulgargaz and BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş should not be treated as an onerous contract and a provision should not be charged for the following reasons:

- ✓ This agreement is related to the diversification of sources and routes of supply in order to achieve a security of supply that is minimally dependent on geopolitical developments.
- ✓ It guarantees continuity of supply for Bulgarian consumers and to a much greater extent has a societal rather than a commercial meaning.
- ✓ The agreement is for the provision of services, not the supply of gas, and the price of the service under it should be taken into account that it includes services such as flexibility to receive, store and carry forward volumes.

The results of the comparative analysis with similar agreements show that the latter do not include similar services. In similar arrangements, such services are further negotiated with other users and traders, resulting in additional costs for fees, as well as the assumption and coverage of price risks for the Company from the transfer of quantities, from one period to another, which is also reflected in the fee when such transactions are concluded.

The volatility of natural gas prices in Europe and the world due to the current geopolitical uncertainties should also be taken into account. This is evidenced by the fact that when this Agreement was entered into, the service charge was a low percentage of the price of natural gas and equal to similar services in the region without the additional benefits that the Service Agreement provides.

In addition, the transit agreement between Russia and Ukraine expired at the end of 2024, leading to a potential shortage and respectively increased demand for natural gas volumes in the Central European countries, Ukraine and Moldova. Taking this fact into account, in the last quarter of 2024, Bulgargaz EAD finalised the procedures for obtaining the right to participate in the natural gas markets in Romania, as well as a licence for trading in natural gas in Hungary. The company has registered on the CEEGEX natural gas trading platform, based in Hungary. In 2025, Bulgargaz EAD took active steps to expand its presence in regional natural gas markets, building on the foundations laid the previous year.

The company is a registered user of the gas transmission networks in Greece, Serbia, Romania, Ukraine and Slovakia, whilst its subsidiary, Bulgargaz North, is a user of the Moldovan gas transmission network. This, in turn, is a potential opportunity to realise the capacities reserved under the Agreement with Botaş.

Due to the circumstances thus stated, it is management's judgement that the arrangement will not be treated as onerous within the meaning of IAS 37 and there is no need to recognise a provision for liabilities.

5.5. REVENUE FROM CONTRACTS WITH CUSTOMERS

On recognizing revenue from contracts with customers the management makes various judgments, estimates and assumptions that affect the reported revenue, expense, assets and liabilities under contracts. Key appraisals and assumptions that have a material impact on the amount and timing of recognizing revenue from contracts with customers are disclosed in detailed in Note 4.4. These mainly relate to the determination of variable remuneration in the events of deviations in the daily contracted gas amounts; deviations between the minimum annual gas amounts requested and actually delivered; penalties for supplies of natural gas of poor quality.

5.6. DEFERRED TAX ASSETS

The assessment of the probability of future taxable income in which deferred tax assets may be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a reliable forecast of taxable income indicates the probable use of a deferred tax asset, especially when it may be utilized without a time limit, then deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed by the management individually based on the specific facts and circumstances.

6. FINANCIAL RISK MANAGEMENT

6.1. FINANCIAL INSTRUMENTS BY CATEGORIES

The carrying amounts of the Company's financial assets and liabilities may be presented in the following categories:

AS AT 31 DECEMBER 2025

Financial assets	**Debt instruments measured at depreciated cost**
Trade and other financial receivables (Note 14)	1,344,189
Cash and cash equivalents (Note 15)	2,763
Total financial assets in the statement of financial position	**1,346,952**

Financial liabilities	**Financial liabilities at depreciated cost**
Borrowings (Note 18)	1,838,361
Lease (Note 9)	59
Trade and other payables (Note 19)	583,589
Total financial payables in the statement of financial position	**2,422,009**

AS AT 31 DECEMBER 2024

Financial assets	**Debt instruments measured at depreciated cost**
Trade and other financial receivables (Note 14)	1,071,221
Cash and cash equivalents (Note 15)	1.254
Total financial assets in the statement of financial position	**1,072,475**

Financial liabilities	**Financial liabilities at depreciated cost**
Borrowings (Note 18)	1,630,603
Lease (Note 9)	188
Trade and other payables (Note 19)	303,681
Total financial payables in the statement of financial position	**1,934,472**

See the notes 4.12 for accounting policy information for each category of financial instruments. A description of the Company's risk management policies and objectives regarding financial instruments is set out in Note 6.2.

Trade and other receivables listed above do not include those arising from legal requirements (other tax receivables), as well as, advances paid to suppliers and prepaid expenses.

Trade and other payables listed above do not include those arising from legal requirements (other tax liabilities and liabilities to social security companies), as well as, obligations to employees and advances received from customers.

6.2. FINANCIAL RISKS TYPES

The Company is exposed to various risks in relation to financial instruments. The most significant financial risks to which the Company is exposed are market risk, credit risk and liquidity risk.

Risk management of the Company is carried out by the headquarters of the Company, in cooperation with the Board of Directors and Bulgarian Energy Holding EAD. A priority of management is to provide short and medium term cash flows by minimizing the exposure to financial markets. The Company is not trading with financial assets for speculative purposes, does not issue options and does not take speculative or hedging positions on the financial markets. In 2025, there was no change to the risk management objectives, policies and procedures and the methods by which they are measured.

The most significant financial risks to which the Company is exposed are described below.

6.2.1. MARKET RISK

The Company is exposed to market risk as a result of using financial instruments and specifically to currency risk, interest rate risk and risk of certain price changes, as a result of the operating activity of the Company.

(A) FOREIGN CURRENCY RISK

A large part of the transactions mainly related to sales to the Company's customers are executed in Bulgarian leva (BGN). Another significant portion of the Company's transactions are connected with the purchase of natural gas and are denominated in EUR and in US dollars. USD exposures expose the Company to foreign exchange risk.

	Exposure to short-term risk			
	USD	**RON**	**Swiss franc**	**Hungarian forint**
	000'BGN	000'BGN	000'BGN	
31 DECEMBER 2025				
Financial assets	48,817	2,636	-	51
Financial liabilities	(481,295)	(450)	-	-
Total exposure to risk	**(432,478)**	**2,186**	**-**	**51**
31 December 2024				
Financial assets	55,249	1,958	-	-
Financial liabilities	(190,530)	-	(131)	-
Total exposure to risk	**(135,281)**	**1,958**	**(131)**	**-**

The financial assets and liabilities, which are denominated in a foreign currency and are translated into Bulgarian lev at the end of the reporting period. The tables below show the sensitivity of the annual net financial result after taxes and equity to a probable change in the exchange rates of the Bulgarian lev against the following foreign currencies (https://www.ecb.europa.eu/stats):

- U.S. dollar +/- 7.7% (for 2024 +/- 2.65%)
- Romanian leu +/- 4.2% (for 2024 +/- 0.10%)
- Swiss franc +/- 1.5% (for 2024 +/- 3.5%)
- Hungarian forint +/- 0.1% (for 2024: +/- 3.5%)

All other parameters are considered constant. These rates are based on average exchange rates over the last 12 months. The sensitivity analysis is based on the Company's investments and liabilities in financial instruments denominated in foreign currencies held as at the end of the reporting period.

31 DECEMBER 2025	**Increase of the exchange rate of BGN**		**Decrease of the exchange rate of BGN**	
000'BGN	**Net financial result**	**Equity**	**Net financial result**	**Equity**
USD (+/- -7.7%)	37 823	37 823	(37 823)	(37 823)
Romanian leu (+/- 4.2%)	(83)	(83)	(83)	(83)
Hungarian forint (+/- 0.1%)	-	-	-	-

31 December 2024	**Increase of the exchange rate of BGN**		**Decrease of the exchange rate of BGN**	
000'BGN	**Net financial result**	**Equity**	**Net financial result**	**Equity**
US dollar (+/- 2.65%)	6,067	6,067	(6,067)	(6,067)
Romanian leu (+/- 0.10%)	(2)	(2)	2	2
Swiss franc(+/- 3.5%)	(5)	(5)	5	5

The Company does not present a currency risk of changing the exchange rate of the Bulgarian lev against the euro because the exchange rate is fixed and from 1 January 2026, the euro will replace the Bulgarian lev as the country's official currency.

Exposure to exchange rate fluctuations varies throughout the year depending on the volume of international transactions performed. However, the analysis presented above is considered to represent the Company's exposure to foreign currency risk.

(B) INTEREST RATE RISK

The Company's policy is to minimize interest rate risk in long-term financing. As at 31 December 2025, the Company has entered into several bank overdraft type agreements and borrowings agreements from the sole owner and the Ministry of Energy that are at a fixed interest rate.

The Company has no financial assets or liabilities with variable interest rates as at 31 December 2025. Therefore, the Company is not considered to be exposed to the risk of changes in market interest rates.

(B) OTHER PRICE RISKS

The Company is exposed to a price risk associated with the activities under the licence for public supply of natural gas. The specificity of the activity of Bulgargaz EAD stems from the fact that the Company is a public natural gas supplier. In accordance with the applicable legal requirements, as a public supplier, the prices at which natural gas is sold to end suppliers of natural gas are subject to regulation by the EWRC.

The Company plans the quantities it will purchase based on the agreed annual programmes of customers at the exit points of the gas transmission system in Bulgaria. This creates price risks for Bulgargaz as a result of the following factors:

- ✓ the difference between quantities requested and accepted from customers, resulting in significant surplus natural gas and increased costs for unused transmission and regasification capacity;
- ✓ the particularities of LNG supply — a nominal quantity for delivery and a *tolerance* are agreed in the contracts;
- ✓ the difference between the pricing rate set under the NGRP and the natural gas acquisition rate;
- ✓ and others like them.

The significant price volatility in the natural gas market continued in 2025. These dynamics and the specifics of the market in the country do not allow the Company to assess with a sufficient degree of precision the full sensitivity to this risk. The Company's management is making efforts to manage this risk through supply diversification and public tenders leading to the closest possible approximation to market levels for natural gas supplies.

The Company is not exposed to price risks in connection with its ownership of publicly traded shares, bonds and interests in subsidiaries or joint ventures.

6.2.2. CREDIT RISK

Credit risk is the risk that counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk in relation to receivables from customers.

It is the Company's policy that all customers wishing to trade on a deferred payment basis are subject to procedures to verify their ability to pay for the provision of collateral — a bank guarantee.

The credit risk arising from other financial assets of the Company, such as cash and other financial assets represents the Company's credit exposure arising from the possibility of its counterparties to fail to meet their obligations.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period as indicated below:

	AS AT 31 DECEMBER	
	2025	**2024**
Trade and other financial receivables (including Related party receivables Note 14 and 35)	1,344,189	1,071,221
Cash and cash equivalents	2,763	1,254
Carrying amount	**1,346,952**	**1,072,475**

The Company has provided financial assets (trade receivables) as collateral for its liabilities, the carrying amount of which as at 31 December 2025 amounts to more than BGN 800,000 thousand. (31 December 2024: (over BGN 800,000 thousand)

Since 2023, the District Court —Varna has ruled in favour of Bulgargaz EAD receivables against TPP Varna EAD amounting to BGN 35,541 thousand, together with statutory interest, as well as legal costs amounting to BGN 1,502 thousand. An agreement has been concluded between the two companies to reschedule the overdue liabilities of TPP Varna EAD, and a mortgage on a property has been registered. The market value of the property amounts to BGN 49,686 thousand.

By a supplementary agreement of March 2024 between Bulgargaz EAD and TPP Varna EAD, it was agreed that TPP Varna EAD would establish a special pledge in favour of Bulgargaz EAD under the Special Pledges Act in lieu of a mortgage to secure the obligations under the final judgment. For the remaining receivables of Bulgargaz EAD for the provided annual capacity product and expenses, in total amounting to BGN 3,746 thousand, a court settlement was concluded on 10 May 2024 between Bulgargaz EAD and TPP Varna EAD, as the receivables were rescheduled with a repayment plan.

As at 31 December 2025 the Company has received cash guarantees as collateral for trade receivables for natural gas supply from its customers in the amount of BGN 28,406 thousand. (2024: BGN 104 thousand).

As at 31 December 2025 and 31 December 2024, the Company is exposed to concentration of credit risk with respect to receivables from Toplofikacia Sofia EAD that comprise more than 96.42% of the total amount of net trade receivables:

	AS AT 31 DECEMBER	
	2025	**2024**
Receivables from Toplofikacia Sofia EAD	1,287,615	985,525
Total trade receivables from customers	**1,310,600**	**1,022,334**

Additional disclosures relating to credit risk are presented in Note 14.

6.2.3. LIQUIDITY RISK

Liquidity risk is the risk arising from the Company not being able to meet its obligations. The Company meets its liquidity needs by carefully keeping track of payments to be made under long-term financial liabilities and cash inflows and outflows, arising in the course of the operating activity. Liquidity needs are monitored for various time bands, on a day-to-day basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

Non-derivative financial liabilities have the following remaining contractual maturities, as the amounts shown are the undiscounted contractual cash flows:

AS AT 31 DECEMBER 2025	**Current**		**Non-current**	
	Up to 6 months	**Between 6 and 12 months**	**Between 1 and 5 years**	**Total**
Lease	46,	7	6	**59**
Borrowings	959,028,	309,333	570,000	**1,838,361**
Trade and other payables	583,589	-	-	**583,589**
Total	**1,542,663,**	**309,340**	**570,006**	**2,422,009**

AS AT 31 DECEMBER 2024	**Current**		**Non-current**	
	Up to 6 months	**Between 6 and 12 months**	**Between 1 and 5 years**	**Total**
Lease	64	65	59	**188**
Borrowings	534,785	525,818	570,000	**1,630,603**
Trade and other payables	303,681	-	-	**303,681**
Total	**838,530**	**525,883**	**570,059**	**1,934,472**

The category of trade and other payables classified as financial liabilities does not include those arising from legal requirements (taxes and related interest thereto, and social security payables) and advances from customers.

There are no non-derivative financial liabilities for which the cash flows are expected to occur significantly earlier than indicated in the table above. The amounts disclosed in the maturity analysis of liabilities represent the undiscounted cash flows on the contracts, which may differ from the carrying amounts of the liabilities at the reporting date.

Financial assets used for managing liquidity risk

In assessing and managing liquidity risk the Company considers expected cash flows of financial instruments, especially cash and trade receivables. Available cash resources do not constitute significant amounts because the need for cash covers current daily payments for administrative purposes. Under contracts with customers, all cash flows from trade receivables are paid in advance.

6.3. CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern.

The Company determines the adjusted capital based on the book value of equity and subordinated debt represented in the statement of financial position. Subordinated debt includes unsecured borrowings received by the parent company.

The net debt is calculated as total debt reduced with the book value of cash and cash equivalents.

The Company determines the proportionate amount of capital compared to total financial structure, equity and financial liabilities except for the subordinated debt. The Company manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, after the express approval of the parent company, the Company may adjust the amount of dividends paid to the sole owner, return capital to sole owner, issue new shares or sell assets to reduce debt.

For the presented accounting periods, capital is analysed as follows:

	AS AT 31 DECEMBER	
	2025	**2024**
Equity (net assets)	(457,598)	(190,371)
Subordinated debt (unsecured borrowings)	645,715	630,564
Adjusted capital	**188,117**	**440,193**
Total liabilities less subordinated debt and deferred income:	1,876,179	1,442,304
— Cash and cash equivalents	(2,763)	(1,254)
Net debt	**1,873,416**	**1,441,050**
Ratio of net debt to adjusted capital	**9,96**	**3,27**

The Company has not changed its objectives, policies and processes for managing capital, as well as the ways of determining capital during the presented reporting periods. The increase in the ratio is due to a rise in the Company's trade payables, resulting from the irregular payment of some of these liabilities relating to the contract with Botaş.

6.4. FAIR VALUE MEASUREMENT

The Company has no financial instruments that are classified as such at fair value. The fair value for the purposes of disclosure of these financial instruments is assumed to be reasonable approximation of their carrying value:

- Trade and other receivables;
- Cash and cash equivalents;
- Borrowings; and
- Trade and other payables.

7. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment include vehicles, computers and the related equipment, office equipment and furniture. The carrying amount may be analysed as follows:

	Plant and equipment	Vehicles	Office equipment	Right-of-use assets	Total
AS AT 01 January 2024					
Book value	56	257	206	944	1,463
Depreciation	(37)	(257)	(170)	(639)	(1,103)
Carrying amount	**19**	**-**	**36**	**305**	**360**
CHANGES IN 2024					
Newly acquired	2	-	4	-	**6**
Written-off	-	-	(3)	-	**(3)**
Depreciation	(3)	-	(15)	(125)	**(143)**
Written-off depreciation	-		3	-	**3**
Closing carrying amount	**18**	**-**	**25**	**180**	**223**
AS AT 31 DECEMBER 2024					
Book value	58	257	207	944	1,466
Depreciation	(40)	(257)	(182)	(764)	(1,243)
Carrying amount	**18**	**-**	**25**	**180**	**223**
CHANGES IN 2025					
Newly acquired	-	-	2	-	2
Depreciation	(3)	-	(13)	(125)	(141)
Closing carrying amount	**15**	**-**	**14**	**55**	**84**
AS AT 31 DECEMBER 2025					
Book value	58	257	210	944	1,469
Depreciation	(43)	(257)	(196)	(889)	(1,385)
Carrying amount	**15**	**-**	**14**	**55**	**84**

All depreciation costs are included in the statement of profit or loss and other comprehensive income in line 'Depreciation and depreciation of non-financial assets'.

As at 31 December 2025 no assets of the group of property, plant and equipment are pledged as collateral of Company's liabilities. As at 31 December 2025 the Company has no contractual obligation to purchase any assets.

As at 31 December 2025, the plant and equipment were evaluated and the outcome from these tests and evaluations show that there are no significant fluctuations in their market values and therefore there is no need of correcting their carrying values.

Assets with right of use include highly reliable IT structure and communication system.

The liabilities for leases, which correspond to the right-of-use assets, are presented in Note 9 Leases.

8. INTANGIBLE ASSETS

Intangible assets of the Company include software and licence for public supply of natural gas. The carrying amounts for the reporting periods may be analysed as follows:

	Software applications	Licences	Total
AS AT 01 January 2024			
Book value	1,989	79	**2,068**
Depreciation	(1,792)	(33)	**(1,825)**
Carrying amount	**197**	**46**	**243,**
CHANGES IN 2024			
Newly acquired	324	31	**355**
Written-off	(1)	-	**(1)**
Written-off depreciation	1	-	**1**
Depreciation	(261)	24	**(285)**
Closing carrying amount	**260**	**53**	**313**
AS AT 31 DECEMBER 2024			
Book value	2,312	110	**2,422**
Depreciation	**(2,052)**	**(57)**	**(2,109)**
Carrying amount	**260,**	**53**	**313**
CHANGES IN 2025			
Newly acquired	127	3	**130**
Depreciation	(248)	(16)	**(264)**
Closing carrying amount	**139**	**40**	**179**
AS AT 31 DECEMBER 2025			
Book value	2,462	113	**2,575**
Depreciation	(2,323)	(73)	**(2,396)**
Carrying amount	**139**	**40**	**179**

All depreciation costs are included in the statement of profit or loss and other comprehensive income in line 'Depreciation and depreciation of non-financial assets'.

The intangible assets acquired in 2025 relate to a change in the functionalities of the software products Procurement module and Sales module — Ajur L PP. No intangible assets are pledged as collateral of Company`s liabilities.

The Company has no contractual obligation to purchase any intangible assets to be realized in 2025.

9. LEASES

This app provides information on leases when the Company is a lessee.

9.1. AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS

The statement of financial position shows the following amounts related to leases:

	Note	AS AT 31 DECEMBER 2025	2024
Right-of-use assets			
IT structure, communication system	7	55	180
		55	**180**
Lease payables			
Current		53	129
Non-current		6	59
		59	**188**

With the exception of short-term leases and leases of low-value assets, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments, which do not depend on an index or variable rates (e.g. lease payments based on a percentage of the Company's sales) are excluded from the initial measurement of the liability and asset under the lease. The Company classifies its right-of-use assets in a consistent manner in Note 7.

By 31 December 2025 the Company has recognized two right-of-use assets, a highly reliable IT structure and a communications system, under leases with terms expiring 31 December 2026 and 31 December 2027. There are no right-of-use assets acquired in 2025.

The future minimum lease payments as at 31 December 2025 shall be as follows:

	Minimum lease payments due		
	Up to 1 year	**1—2 years**	**Total**
31 DECEMBER 2025			
Lease payments	54	6	60
Financial costs	(1)	-	(1)
Net current amount	**53**	**6**	**59**

	Minimum lease payments due		
	Up to 1 year	**1—2 years**	**Total**
31 December 2024			
Lease payments	132	60	192
Financial costs	(3)	(1)	(4)
Net current amount	**129**	**59**	**188**

9.2. AMOUNTS RECOGNIZED IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The statement of profit or loss and other comprehensive income shows the following amounts related to leases:

	Note	AS AT 31 DECEMBER 2025	2024
Costs for depreciation of right-of-use assets			
High reliability IT structure, Communication system	7	(125)	(125)
		(125)	**(125)**
Interest expenses (included in financial costs)	30	(4)	(11)
Short-term rent expense (office building rent included in external service costs)	25	(259)	(259)
		(263)	**(270)**

The total outgoing cash flow for leasing in 2025 amounts to BGN 145 thousand (2024: BGN 145 thousand).

The Company has decided not to recognize any liability under lease contracts if they are short-term (leases with an expected term of 12 months or less) or if they are for low-value lease assets. Payments made under these lease contracts are recognized as an expense on a straight-line basis.

10. INVESTMENT IN A SUBSIDIARY

In 2025, the Company established a subsidiary, BULGARGAZ NORTH S.R.L. , registered in the city of Chișinău, Moldova. The investment amounts to BGN 100,000 thousand. Bulgargaz EAD holds 100% of the shares in its subsidiary.
The main activity of BULGARGAZ NORTH S.R.L is the trading in natural gas.

The investment in the subsidiary is recognised in Bulgargaz EAD's financial statements at cost.

In 2025, the Company did not receive any dividends.

The Company has no contingent liabilities or other commitments made relating to investments in the subsidiary.

11. DEFERRED TAX ASSETS

Deferred tax assets and liabilities are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, at a tax rate of 10% (2024: 10%), applicable for the year, when they are expected to occur retroactively.

	AS AT 31 DECEMBER	
	2025	**2024**
Deferred tax assets		
— Deferred tax assets for refund in 12 months	23,470	24,158
Total deferred tax assets	**23,470,**	**24,158,**
Deferred tax liabilities		
— Deferred tax liabilities for refund in 12 months	(1)	(1)
Total deferred tax liabilities	**(1)**	**(1)**
Deferred tax assets, net	**23,469**	**24,157**

The total movement of deferred income tax may be presented as follows:

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
AS AT 1 JANUARY	**24,157**	**28,228**
Recognised as a tax (expense) in profit or loss for the year (Note 32)	(689)	(4,070)
Recognised as tax (expense)/revenue related to components of other comprehensive income (Note 32)	1	(1)
AS AT 31 DECEMBER	**23,469**	**24,157**

The amounts recognized in other comprehensive income relate to remeasurement of defined benefit retirement plans.

The movement of deferred tax assets and liabilities during the period by elements may be presented as follows:

	Impairment of inventory	Impairment of receivables and advances granted	Pension provisions	Unused paid leaves	Lease	Property, plant and equipment	Total
DEFERRED TAX (ASSETS)/LIABILITIES							
AS AT 01 JANUARY 2024	**(18,723)**	**(9,453)**	**(22)**	**(30)**	**1**	**(1)**	**(28,228)**
Expense/(revenue) in profit or loss	7,521	(3,450)	(4)	3	1	(1)	**4,070**
Expense in other comprehensive income	-	-	1,	-	-	-	**1**
DEFERRED TAX ASSETS, NET, AS AT 31 DECEMBER 2024	**(11,202)**	**(12,903)**	**(25)**	**(27)**	**2**	**(2)**	**(24,157)**
AS AT 01 JANUARY 2025	**(11,202)**	**(12,903)**	**(25)**	**(27)**	**2**	**(2)**	**(24,157)**
Expense/(revenue) in profit or loss	1,678	(981)	(4)	(6)	1	1	689
(Revenue) in other comprehensive income	-	-	(1)	-	-	-	(1)
DEFERRED TAX ASSETS, NET, AS AT 31 DECEMBER 2025	**(9,524),**	**(13,884)**	**(30)**	**(33)**	**3**	**(1)**	**(23,469)**

The company has not recognised a deferred tax asset on tax losses, as follows:

Tax period	**Period for deducting tax losses**	**AS AT 31 DECEMBER**	
		2025	**2025**
		000'BGN	**000'BGN**
2024	from 2025 to 2029	352,125	352 125
2025	from 2026 to 2030	273,366	-
Applicable tax rate		10%	10%
Unrecognised deferred tax asset on tax losses		**62 549**	**35,213**

Tax losses may be carried forward and set off against future taxable profits. The company is unable to reliably determine the amounts and timing of future taxable profits due to uncertainty in the economic environment in which it operates. Consequently, no deferred tax asset has been recognised on tax losses to be carried forward as at 31 December 2024 and 31 December 2025.

12. INVENTORIES

Inventories recognized in the statement of financial position may be analysed as follows:

	AS AT 31 DECEMBER	
	2025	**2024**
Natural gas at cost	376,707	417,985
Impairment to a net realizable value	(95,241)	(112,017)
Natural gas — net realisable value	**281,466**	**305,968**
Materials	11	12
Total inventories	**281,477**	**305,980**

In 2025, the value of the realized natural gas in the amount of BGN 1,291,799 thousand was reported as an expense in profit or loss (31 December 2024: BGN 1,316,578 thousand).

As disclosed in Note 4.13 a reference TTFfm price for January of the following calendar year is used to determine the net realisable value of natural gas at the end of the reporting period. This management judgment is based on the Company's operating cycle, the seasonal nature of natural gas withdrawal and injection, and the commitments made under the Contingency Plan to maintain certain quantities of available natural gas at the UGS Chiren.

For the purposes of the annual impairment test, the Company classifies its natural gas holdings into the following three categories:

1) Available natural gas stored at the UGS Chiren, intended for withdrawal in accordance with the Emergency Action Plan, including quantities held as non-rotating stock in accordance with the requirements of the applicable legislation and the Emergency Action Plan, with a specified withdrawal schedule applicable only during the period November to April.
2) Natural gas available for resale (commercial quantities)

In carrying out the annual impairment test on inventories, the Company's management has reached the following conclusions:

- With regard to the quantities of natural gas held at the UGS Chiren as at 31 December 2025, amounting to 110,632 MWh, which are expected to be extracted (i.e. realised through sale) during the period from January to May 2026, in accordance with the 2025 Contingency Plan, an impairment loss on inventories of BGN 8,424 thousand has been recognised. Attached is the reference TTFfm price for January 2026 of EUR 40.68/MWh, quotes published on 30 January 2026 in the Argus Media newsletter (argusmedia.com).
- With regard to the quantities held as 'non-revolving stock' at the UGS Chiren in accordance with the requirements of the applicable legislation and the Emergency Action Plan, amounting to 1,469,999.809 MWh, the management has concluded that there is no need to recognise impairment losses, as their carrying amount is lower than their net realisable value, calculated on the grounds of the TTFfm reference exchange rate.
- With regard to the quantities available for trading and held as 'commercial quantities' at the UGS Chiren, the management has concluded that there is no need to recognise impairment losses, as their carrying amount is lower than their net realisable value, calculated on the basis of the TTFfm reference exchange rate.

In preparing the annual impairment test for natural gas in stock, the Company's management has taken into account the natural gas withdrawal commitments set out in the Emergency Action Plan, market dynamics and, in particular, TTF rates, which have risen significantly as a result of the geopolitical situation, influenced primarily by the military conflict in the Middle East, the uncertainty surrounding liquefied natural gas supplies and the increased demand to fill gas storage facilities in Europe.

Recovery of inventory impairment losses is recorded as part of the prime cost of gas sold during the period (previously impaired). In 2025, the Company reversed an impairment loss of BGN 27,552 thousand relating to quantities of natural gas produced in 2025.

The changes in accumulated impairment of natural gas are as follows:

	AS AT 31 DECEMBER	
	2025	**2024**
At the beginning of the period	**112,017**	**187,228**
Recognised impairment loss on natural gas	11,559	36,042
Recovered impairment loss on natural gas realised through sales during the period	(28,335)	(111,253)
At the end of the period	**95,241**	**112,017**

The Company has no inventories that are provided as collateral for liabilities.

13. PREPAID NATURAL GAS SUPPLIES

	AS AT 31 DECEMBER	
	2025	**2024**
Advances granted for supply of natural gas	405,446	470,459
Accumulated impairment loss	(37)	(14,442)
Prepaid natural gas supplies, net	**405,409**	**456,017**

The changes in the accumulated impairment of advances granted for natural gas is as follows:

	AS AT 31 DECEMBER	
	2025	**2024**
At the beginning of the period	**14,442**	**13,721**
Recognised impairment loss on natural gas	511	21,883
Recovered impairment loss on natural gas realised through sales during the period	(14,916)	(21,162)
At the end of the period	**37**	**14,442**

Advances granted for the supply of natural gas in the amount of BGN 405,409 thousand (31 December 2024: BGN 456,017) represent prepaid amounts for natural gas supplies under valid, existing agreements to which Bulgargaz EAD is a purchasing party. Some of these relate to supplies that had been scheduled for the first half of 2026. In line with market demand, the Company's management has determined that there is no need to take delivery of the quantities covered by these prepaid supplies. They have been renegotiated with a schedule for the coming months of the year.

Another significant portion of the advances as at 31 December 2025 relates to BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş, for the supply of liquefied natural gas (LNG) purchased from Cheniere Marketing International LLP in April 2023, following a publicly announced tender procedure in October 2022. This supply took place against the backdrop of a severely strained natural gas market following the outbreak of the military conflict in Ukraine, with the aim of ensuring the continuity of natural gas supplies to the country. Given the specific circumstances and the limited scope for alternative decisions, the management concluded that this supply ensured national security and the stability of gas supplies to customers in the country at that time.

In 2025, the Company entered into ongoing contracts for the supply of natural gas, under which the prepaid quantities of natural gas were delivered in 2025 to a terminal in Turkey and are being stored by BOTAŞ. As at 31 December 2025, the value of these prepaid supplies is at prices below market levels. Management has taken into account the possibility of joint realization of the quantities.

The unpredictability of market conditions and price volatility are driven by the geopolitical situation. The Company negotiates terms with its customers that allow for flexibility in managing supplies and implementing the annual programme, as well as for transferring quantities from the summer to the winter months. Therefore, a substantial portion of the Company's prepaid advances were unutilized at the end of the reporting period.

The impairment assessment takes into account the Company's forecasts for the period of realisation and the inclusion of these volumes in the pricing mix, as well as other relevant information expected to be material regarding the realisation of the stored natural gas.

Detailed information regarding the Company's assumptions and judgements in determining the net realisable value of inventories is disclosed in Notes 5.2 and 12. The same assumptions were used in calculating the recoverable amount of prepaid natural gas advances.

14. TRADE AND OTHER RECEIVABLES

	AS AT 31 DECEMBER	
	2025	**2024**
Financial receivables		
Trade receivables from customers	1,310,600	1,022,334
Accumulated impairment of trade receivables	(89,090)	(64,736)
Trade receivables from customers, related entities (Note 35)	1,167	1,281
Trade receivables, net	**1,222,677**	**958,879**
Receivable from natural gas supplier	48,816,	55,244
Impairment of receivable from natural gas supplier	(29,498)	(33,383)
Guarantees provided under natural gas supply contracts	11,442	18,151
Guarantees and deposits given to related parties (Note 35)	35,726	38,726
Guarantees given under other contracts	39	39
	66,525	**78,777**
Court and adjudicated receivables	266,669	241,492
Accumulated impairment of court and adjudicated receivables	(211,682)	(207,927)
Court and awarded receivables, net	**54,987**	**33,565**
Receivable from Corporate Commercial Bank AD — insolvent	3,761	3,777
Accumulated impairment of receivables from Corporate Commercial Bank AD — insolvent	(3,761)	(3,777)
Receivable from Corporate Commercial Bank AD — insolvent, net	**-**	**-**
Total financial receivables	**1,344,189**	**1,071,221**
Non-financial receivables		
Prepaid expenses, guarantees and deposits	3,531	3,467
Total non-financial receivables	3,531	**3,467**
Total Trade and other receivables — current	**1,347,720**	**1,074,688**

All receivables are short-term. The Company's trade receivables are related to the sale of natural gas and are due within 12 days of the issuance and receipt of the invoice from the relevant counterparty. The net carrying amount of trade and other receivables is assumed to be a reasonable estimate of their fair value.

Part of the financial receivables in the gross amount of BGN 48,816 thousand and carrying amount after impairment of BGN 19,318 thousand as at 31 December 2025, represent receivables from OOO Gazprom Export, a supplier of natural gas, which arose in connection with an unrecognised amount invoiced by Bulgargaz EAD from OOO Gazprom Export for natural gas supplies for the first quarter of 2022. The amount relates to a trade dispute for undelivered but invoiced amounts of natural gas for that period. In 2024, an estimated credit loss of BGN 33,383 thousand was recognised and in 2025 a foreign currency revaluation of the receivables and payables was made and a and an impairment loss in the amount of BGN 3,884 thousand was recovered, thus the net exposure to the counterparty being deemed to be nil.

In May 2024, Bulgargaz EAD sent an invitation to OOO Gazprom Export for voluntary settlement of the Bulgarian company's claim under the contract between the two companies.

In July 2024, after the Russian side failed to take any action to resolve the matter out of court, Bulgargaz EAD initiated an arbitration case against OOO Gazprom Export by filing a request for arbitration with the Court of

Arbitration of the International Chamber of Commerce in Paris — one of the world's most prestigious institutions that administer international commercial dispute resolution.

The subject matter of the dispute are the damages suffered by Bulgargaz EAD as a result of the unilateral suspension of all natural gas supplies by Gazprom counted from 27 April 2022, representing a breach of the long-term Natural Gas Supply Contract of 2012. Bulgargaz EAD's claims amount to approximately EUR 400 million.

The arbitration panel was constituted at the end of 2024. A number of procedural steps were taken in 2025, and the proceedings continue in 2026–2027. A decision is expected to be rendered once all procedural steps have been completed.

Guarantees provided under natural gas supply contracts represent guarantee amounts to natural gas transportation service providers. As at 31 December 2025, the amounts have been provided to DESFA A.E., ICGB AD, KELER CCP Ltd, TRANS ADRIATIC PIPELINE and Transgaz Romania, BRM-Bursa Romana De Marfuri and the Ministry of Finance Romania — ANAF.

The Company's court and adjudicated receivables were primarily reclassified from trade receivables that were due from counterparties with financial difficulties. When the Company takes legal action, the receivables are reclassified from commercial to court receivables. This category of receivables is fully impaired unless collateral or other security is obtained to cover the value of the receivable. As at 31 December 2025, the Company's most significant court receivable is from TPP Varna AD. Detailed information on the progress of the actions taken is set out in the Note6.2.2.

All of the Company's finance receivables have been reviewed for events of default. For trade receivables, a simplified approach has been applied to determine the expected credit losses at the end of the period, with an individual approach for some of them, which is based on judgements regarding their concentration for the Company, the financial position of the counterparty, collateral taken, specific repayment terms, historical information on the average number of days/period of collection and the performance of the agreed terms up to the date of the estimate.

As a result of the analysis performed and actions taken, the Company's management has estimated that expected credit losses and impairment losses for trade and court receivables for 2025 amount to BGN 26,973 thousand, net, after recoveries (Note 24).

In forming its judgments and assumptions for the purpose of determining the expected credit losses on financial assets, the Company's management has considered the circumstances and factors available that have or are expected to have a material effect on the Company's operations. These factors are mainly related to the Decision No 594 of the Council of Ministers dated 11 August 2022 approving a borrowing from the Ministry of Energy for which current and future receivables of Toplofikacia Sofia EAD serve as collateral. The pledge shall be entered in the Central Register of Pledges in due course.

Accordingly, and in accordance with the requirements of accounting policies and applicable accounting standards, based on available, reasonable and supportable information about current conditions and projections of future economic conditions, the Company's management has made an estimate of the amount of expected credit losses on the Company's accounts receivable as at 31 December 2025 and losses have been recognized for the period. The accrual for impairment losses and the reversal of impairment losses are presented on a separate line, net in the statement of profit or loss and other comprehensive income. The effects of time elapsed/change in the discount rate are reported in financial income/expense — net. Amounts recognized in the allowance account for credit losses on receivables are written-off when there is no expectation that the Company will be able to obtain additional funds. In calculating the impairment of receivables, the concepts and approaches in the impairment models under IFRS 9 'Financial Instruments'; are considered. The calculations performed include impairment tests of financial assets based on 'models' and a classification approach adopted for court and adjudicated receivables, 'court and adjudicated receivables' and those 'in bankruptcy proceedings'.

Non-financial receivables

Most of the prepaid expenses as at 31 December 2025 are related to insurance paid and bank borrowing management fees.

The following table provides information about the credit risk exposure of the Company's unrelated party customer receivables and natural gas supplier receivable using the expected credit loss allowance matrix as at 31 December 2025 and 31 December 2024, respectively:

31 DECEMBER 2025	**Relative share**	**Gross amount of customer receivables**	**Impairment of expected credit loss**	**Net amount of receivables from customers**
	%			
Receivables from customers				
Not past due	1.47%	19,310	(407)	**18,903**
30—90 days	16.15%	211,654	(719)	**210,935**
90—180 days	3.31%	43,346	(609)	**42,737**
180—360 days	30.55%	400,394	(26,762)	**373,632**
More than 360 days	48.52%	635,896	(60,593)	**575,303**
		1,310,600	**(89,090)**	**1,221,510**
Receivable from supplier				
180—360 days GPE	3.59%	**48,816**	**(29,498)**	**19,318**
Total trade receivables	**100%**	**1,359,416**	**(118,588)**	**1,240,828**

31 December 2024	**Relative share**	**Gross amount of customer receivables**	**Impairment of expected credit loss**	**Net amount of receivables from customers**
	%			
Receivables from customers				
Not past due	0.38%	2,862	-	**2,864**
30—90 days	25.05%	270,230	(717)	**269,513**
90—180 days	5.57%	60,098	(1,355)	**58,743**
180—360 days	29.73%	320,701	(29,324)	**291,377**
More than 360 days	34.15%	368,441	(33,340)	**335,101**
		1,022,334	**(64,736)**	**957,598**
Receivable from supplier				
180—360 days GPE	5.12%	**55,244**	**(33,383)**	**21,861**
Total trade receivables	**100%**	**1,078,859**	**(98,119)**	**979,459**

The Company's judgment includes assumptions, such as days of delay, customer risk profile, industry risk modelling, correction factor based on the percentage of (non-)collectability and others, not described above.

Some of the information used in the developed model for expected credit losses of the Company, such as counterparty country risk (Risk by country), the discount rate of risk-free securities (Risk free — T bonds), financing cost (Cost of debt), is based on ready data, and other — on the reporting data for the amount of the relevant financial asset at the end of the period and historical data on collection of receivables.

The calculations made include financial asset impairment tests based on several 'models' based on the adopted Company's accounting policy.

Changes in loss adjustment credit loss account on receivables are as follows:

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
AS AT 1 JANUARY	**309,820**	**276,093**
Accrued impairment losses of trade receivables	36,579	35,971
(Recovered)/Accrued impairment loss on trade dispute receivable from supplier	(3,884)	1,997
(Written-off) uncollectible receivables	(2,747)	(51)
(Recovered) impairment losses of receivables	(5,722)	(4,190)
(Recovered) impairment losses of CCB AD — insolvent	(15)	-
AS AT 31 DECEMBER	**334,031**	**309,820**

Impairment loss and recovery are recognized in the Statement of profit or loss and other comprehensive income (Note 24). The effects of time elapsed/change in the discount rate are reported in financial income/expense — net. Amounts recognized in the allowance account for credit losses on receivables are written-off when there is no expectation that the Company will be able to obtain additional funds. The maximum exposure to credit risk at the end of the reporting period is the fair value of each of the groups of trade and other financial receivables mentioned above (see also Note 6.2.2).

The carrying amount of trade and other receivables is denominated in the following currencies:

	AS AT 31 DECEMBER	
	2025	**2024**
Bulgarian Lev (BGN)	1,179,064	904,718
US Dollar (USD)	48,816	135,277
Euro (EUR)	117,474	32,735
Romanian leu (RON)	2,315	1,958
Hungarian forints (HUF)	51	-
Total trade and other receivables	**1,347,720**	**1,074,688**

The Company's trade receivables from Toplofikacia Sofia EAD are provided as collateral for the borrowings received from the Ministry of Energy in the amount of BGN 800 million. The amount of the receivable from Toplofikacia Sofia EAD as at 31 December 2025 stands at BGN 1,287,615 thousand. (2024: BGN 985,525 thousand).

15. CASH

	AS AT 31 DECEMBER	
	2025	**2024**
Cash in current bank accounts	2,766	1,255
Cash accumulated impairment	(3)	(1)
Total cash in the statement of financial position	**2,763**	**1,254**

The gross amount of the cash and cash equivalents is denominated in following currency:

	AS AT 31 DECEMBER	
	2025	**2024**
Bulgarian Lev (BGN)	343	251
US Dollar (USD)	1	5
Euro (EUR)	2,098	998
Romanian leu (RON)	321	-
Total cash	**2,763**	**1,254**

As at 31 December 2025, the Company has no blocked cash.

The changes in the allowance account for expected credit losses on cash and cash equivalents are as follows:

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
At the beginning of the period	**(1)**	**(4)**
Recovered expected credit losses on cash and cash equivalents	(2)	3
At the end of the period	**(3)**	**(1)**

16. SHARE CAPITAL

As at 31 December 2025, the Company's registered share capital consists of 231,698,584 (2024: 231,698,584) ordinary shares with a par value of BGN 1 per share. All shares are entitled to dividend and liquidation share and represent one vote of the General Meeting of Shareholders of the Company. All issued shares are fully paid. There is no change in the number of shares for the reporting periods. The sole owner of the Company's capital is Bulgarian Energy Holding EAD, the capital of which is owned by the Bulgarian State through the Ministry of Energy.

17. RESERVES

	Statutory reserves	**Revaluation reserves of non-financial assets**	**Reserve of revaluations of defined benefit plans**	**Total**
AS AT 01 January 2024	**21,166**	**35**	**(71)**	**21,130**
Revaluations of defined benefit plans	-	-	5	**5**
Other changes	-	(2)	-	**(2)**
AS AT 31 DECEMBER 2024	**21,166**	**33**	**(66)**	**21,133**
Revaluations of defined benefit plans	-	-	(11)	**(11)**
AS AT 31 DECEMBER 2025	**21,166**	**33**	**(77)**	**21,122**

STATUTORY RESERVES

Statutory reserves comprise the 'Reserve' Fund, a source for the formation of which is 1/10 of the profit, while the funds in the Fund reach at least 1/10 of the registered capital.

REVALUATION RESERVES OF NON-FINANCIAL ASSETS

The Company's revaluation reserves are formed as a result of the revaluation of plant and equipment. Under the acting Bulgarian legislation, the revaluation reserves resulting from the revaluation of plant and equipment cannot be distributed as dividends.

RESERVE OF REVALUATIONS OF DEFINED BENEFIT PLANS

The Company recognizes actuarial gains and losses in reserve from revaluations of defined benefit plans, in accordance with IAS 19. They are not reclassified to profit or loss in subsequent periods.

18. BORROWINGS

	AS AT 31 DECEMBER	
	2025	**2024**
Non-current		
Borrowings from related parties	570,000	570,000
Total non-current	**570,000**	**570,000**
Current		
Bank borrowings	391,170	199,020
Borrowings from related parties	875,000	860,000
Interest on bank borrowings	588	130
Interest on borrowings to related parties	1,603	1,453
Total current	**1,268,361**	**1,060,603**
Total borrowings	**1,838,361**	**1,630,603**

As at 31 December 2025 the Company has liabilities under the following borrowings obtained to secure natural gas supplies:

1/ Borrowings from the sole owner BEH EAD in the total amount of BGN 645,000 thousand. The borrowings are granted and serviced in BGN and are not unsecured. The borrowing maturities are, as follows:

- A borrowing amounting to BGN 60 mln as at 31 December 2025, granted in 2022, was renegotiated with a repayment period July 2026.
- Borrowing in the amount of BGN 200 million, repayment period — June 2027.
- Borrowing in the amount of BGN 370 million and repayment period — December 2028.
- Borrowing in the amount of BGN 15 million and repayment period — September 2026.

2/ Borrowing from the Ministry of Energy in the amount of BGN 800 thousand, received after the Decree of the Council of Ministers No 245 of 11 August 2022 and Decision No 594 of the same date, amended by Decision No 618 of the Council of Ministers, which approved additional payments from the budget of the Ministry of Energy in the amount of BGN 800 million for the purchase of natural gas and provision of working capital. The borrowing is secured by a pledge of present and future receivables from Toplofikacia Sofia EAD. The borrowing shall have a term of 36 months from the date of disbursement of the first tranche, with interest repayment due 18 months from the date of the first tranche. The total amount of the obligation under the borrowing received from ME as at 31 December 2025 amounts to BGN 800,889 thousand On 15 August 2025 the Council of Ministers adopted Decree No 161 of 15 August 2025, amending the term of the borrowing from '36 months' to '72 months', i.e. a new maturity date until 12 August 2028 has been set. Pursuant to paragraph 2 of Decree of the Council of Ministers No 161, the extension of the borrowing term shall not take effect until approval has been received from the European Commission confirming that the amendment constitutes a compatible state aid measure. As at 31 December 2025 and as at the date of preparation of the financial statements, no approval had been received from the European Commission.

3/ Two bank borrowings, overdraft type with a total limit of BGN 234,700 thousand, which are in BGN and in EUR, with a repayment period of 29 December 2026. The borrowings are secured by a state guarantee up to 90% of the value of the overdrafts on the basis of two Guarantee Agreements dated 29 December 2023 and the term — until 29 December 2026.

4/ Five bank borrowings, overdraft-type, secured by a guarantee from Bulgarian Energy Holding, with a limit of BGN 219,900 thousand and a market interest rate. The amount drawn down on the overdraft facilities stood at BGN 156,836 thousand as at 31 December 2025.

Detailed information on borrowings from related parties is presented in Note 35'Related Party Transactions and Balances'. The fair values of current borrowings do not differ from their carrying amounts.

19. TRADE AND OTHER PAYABLES

	AS AT 31 DECEMBER	
	2025	**2024**
Trade payables	575,716	293,471
Payables to related parties (Note 35)	7,873	10,210
Total financial liabilities	**583,589**	**303,681**
Advances received from customers for sale of natural gas (liabilities under contracts with customers)	16,005	36,421
Deferred income	12,324	17,149
VAT payable	20,223	40,555
Excise duty payable	1,097	1,411
Payables to employees	250	208
Liabilities to insurance companies	131	115
Other liabilities	8,201	5,764
Total non-financial liabilities	**58,231**	**101,623**
Total current trade and other liabilities	**641,820**	**405,304**

The Company's trade payables mainly include payables to natural gas suppliers. Counted from July 2024, Bulgargaz EAD does not pay its obligations under the monthly capacity invoices due under the Botaş Agreement, since the same date the two companies have been in active negotiations to renegotiate the terms and conditions.

Liabilities under advances received from customers for the sale of natural gas represent amounts received from customers of the Company in accordance with the terms of the contracts for the supply of natural gas.

The deferred revenue of BGN 12,324 thousand as at 31 December 2025 relates to the acquisition and subsequent sale in 2022 of liquefied natural gas (LNG) to a natural gas supplier of the Company. The subsequent sale was made for the purpose of regasification and transportation to an entry point on the country's gas transmission system. The amount of deferred revenue is calculated as the difference between the purchase and delivery cost of natural gas and will be recognized as current revenue and an adjustment to the cost of natural gas (LNG) in the period of delivery in a subsequent reporting period.

Payables to employees represent obligations to Company's employees, to be settled in 2026. They occur mainly in relation to accumulated unused leave at the end of the reporting period and amounted to BGN 250 thousand (31 December 2024: BGN 208 thousand).

Liabilities to insurance companies amount to BGN 131 thousand (31 December 2024: BGN 115 thousand) include the social security payables related to accrued unused compensation leaves in the amount and social security payables over remunerations for December 2025 paid in January 2026.

The material amount of the Company's other liabilities is the liability for payment of guarantee premium for 2026 to the Ministry of Finance in respect of two state-guaranteed overdrafts received, compensation received in the amount of BGN 2,029 thousand in relation to litigation, details of which are disclosed in Note34.

The fair values of current trade and other payables do not differ from their carrying values.

20. RETIREMENT BENEFITS PAYABLES

The liability presented in the statement of financial position is related to provisions for defined benefit plan of retirement. The Company applies the regulations for payments of retirement benefits by age and length of service and illness under the current Labour Code.

Pursuant to Article 222, paragraph 2 of the Labour Code, in case of termination of the employment due to illness, the employee is entitled to compensation in the amount of his/her gross salary for a period of two months, if the employee has at least 5 years of service in the Company and during the last five years of service he/she is not received compensation on the same basis.

Pursuant to Article 222, paragraph 3 of the Labour Code, in case of termination of the employment, the employee is entitled for retirement based on social security length of service and age, regardless of the reasons for the termination, he/she is entitled to compensation as follows: the amount of his/her gross salary for the period 2 months in all cases, and if employed by the Company in the last 10 years of his/her service — compensation in the amount of his/her gross salary for 6 months.

The amounts recognized in the statement of financial position are determined as follows:

	AS AT 31 DECEMBER	
	2025	**2024**
Current amount of liabilities	263	207
Liability at the end of the reporting period	**263**	**207**

As at 31 December 2025 the recognized value of the liability of BGN 263 thousand includes a short-term part of BGN 35 thousand and a long-term part of BGN 228 thousand. (31 December 2024: short-term part — BGN 31 thousand, long-term part — BGN 176 thousand).
Movements of liability recognized in the statement of financial position is as follows:

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
AS AT 1 JANUARY	**207**	**201**
Current length-of-service costs (Note 27)	35	27
Interest expenses (Note 30)	9	9
Total expenses in profit or loss	**44**	**36**
Revaluations:		
Gains from changes in financial assumptions	7	-
Profit/(loss) from the actual experience	3	(4)
Gains from changes in demographic assumptions	2	-
Total other comprehensive income	**12**	**(4)**
Paid benefits	**-**	**(26)**
AS AT 31 DECEMBER	**263**	**207**

The main actuarial assumptions used are as follows:

	AS AT 31 DECEMBER	
	2025	**2024**
Discount rate	3.5%	4%
Future increases of salaries	5%	5%

These assumptions were developed by the Management of the Company with the assistance of independent actuary. Discount rates are determined close to each year-end by reference to yields of risk free securities in BGN having maturity approximating to the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The present value of the defined benefit obligation was measured using the projected unit credit method.

These assumptions are used when determining the amount of the obligations for the defined benefit for the reporting periods and are considered the best estimate of management.

The significant actuarial assumptions for the determination of the defined benefit obligation are related to the discount rate, the expected salary growth rate and the average life expectancy.

The table below presents an analysis of the sensitivity and summarizes the effects of changes in these actuarial assumptions on the defined benefit liability as at 31 December 2025:

AS AT 31 December 2025	Change in the actuarial assumption	Effect on the liability in BGN	Change in the actuarial assumption	Effect on the liability in BGN
Discount rate	+ 1%	(19,492)	– 1 %	22,336
Salary increase	+ 1%	21,533,	– 1 %	(19,203)
Staff turnover	+ 1%	(22,088)	– 1 %	25,213
Change of life expectancy	+1 year	2,022	-1 year	(2,251)

The sensitivity analysis shown above is based on a model estimating the potential change in the liability in case of a change in only one of the actuary assumptions, while others are deemed constant. In reality, this is unlikely to happen, as the changes in some of the assumptions are correlated. In determining sensitivity of liabilities under the defined benefit plan to the changes in the major actuarial assumptions is used the same method used to estimate recognized in the statement of financial position liability, namely an estimation of the present value of the liability under defined benefit plan by using the credit method of projected units.

As at 31 December 2025, the weighted average duration of the obligation to pay compensation upon retirement is 5 years.

21. RECONCILIATION OF INITIAL AND ENDING BALANCES IN THE STATEMENT OF FINANCIAL POSITION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

The reconciliation between the initial and closing balances in the statement of financial position as at 31 December 2025 of the liabilities, arising from financial activities may be presented as follows:

	On 1 January 2025	Cash flows from financing activity		Changes of a non-monetary nature — dematerialized		As at 31 December 2025
		Proceeds	Payments	Reclassification/ New contracts	Accrued interest and fees	
Bank borrowings — overdrafts	199,020	1,071,329	(879,179)	-	-	391,170
Bank borrowings, overdrafts — fees, interests	130	-	(16,307)	-	16,765	588
Short-term borrowings from related parties (BEH)	860,000	15,000	-	-	-	875,000
Long-term borrowings from related parties (ME, BEH)	570,000	-	-	-	-	570,000
Borrowings from related parties — interest and fees	1,453	-	(38,933)	-,	39,083	1,603
Lease payables	188	-,	(145)	12	4	59
Total liabilities from financing activities:	**1,630,791**	**1,086,329**	**(934,564)**	**12**	**55,852**	**1,838,420**

The reconciliation between the initial and closing balances in the statement of financial position as at 31 December 2024 of the liabilities, arising from financial activities may be presented as follows:

	On 1 January 2024	Cash flows from financing activity		Changes of a non-monetary nature — dematerialized		On 31 December 2024
		Proceeds	Payments	Offsetting/newly incurred liability	Accrued interest and fees	
Bank borrowings — overdrafts	24,526	710,933	(536,439)	-	-	199,020
Bank borrowings overdrafts — fees, interests	-	-	(11,633)	-	11,763	130
Short-term borrowings from related parties (BEH)	260,000	16,613	(16,613)	600,000	-	860,000
Long-term borrowings from related parties (ME, BEH)	1,170,000	-	-	(600,000)	-	570,000
Borrowings from related parties — interest and fees	22,942	-	(58,562)	-	37,073	1,453
Lease payables	313	-	(145)	9	11	188
Total liabilities from financing activities:	**1,477,781**	**727,547**	**(623,392)**	**9**	**48,847**	**1,630,791**

22. REVENUE FROM SALES OF NATURAL GAS

REVENUE UNDER CONTRACTS WITH CUSTOMERS	YEAR ENDED 31 DECEMBER	
	2025	**2024**
Types of goods or services		
Revenue from the sale of natural gas, incl. by type of activities:	1,327,809	1,413,109
- *Regulated*	*1,067,364*	*1,066,872*
- *Freely negotiated*	*247,434*	*341,833*
- *LNG — Gastrade — minimum guaranteed quantity*	*13,011*	*4,404*
Revenues from sale of natural gas for balancing	13,424	12,134
Revenue from penalties for non-performance under contracts with customers for unaccepted and over-collected amount of natural gas	10,572	10,286
Total revenues from sale of natural gas	**1,351,805**	**1,435,529**

The revenue under contracts with customers is realized in Bulgaria and recognized over time.

As disclosed in Note 2, in the second half of 2024, the Ministry of Energy implemented the compensation mechanism under the Program for compensation of high prices of natural gas injected into the UGS Chiren in the period 1 May 2022 — 11 October 2022, for quantities of natural gas withdrawn in January—April 2024. In this regard, Bulgargaz EAD received the compensation from the Electricity System Security Fund in the amount of BGN 156,775 thousand, which amount is recognised as income from the sale of natural gas in the profit or loss for the period.

BALANCES UNDER CONTRACTS WITH CUSTOMERS	AS AT 31 DECEMBER	
	2025	**2024**
Trade receivables (Note 14)	1,221,510	957,588
Receivables from related parties (Note 35)	1,167	1,281
Contract assets — uninvoiced receivables	15,419	37,014
Liabilities under contracts with customers (Note 19)	16,005	36,421

CONTRACT ASSETS

Contract assets with customers represent the Company's uninvoiced receivables at the end of each reporting period for amounts for natural gas delivered during the month of December, which under the terms of the contracts are invoiced by Bulgargaz EAD by the 9th day of the month following the month of supply. The invoicing of the receivables shall be carried out after the final preparation of a monthly statement for the amount of natural gas delivered to the Customer during each of the days of the respective month, containing information on Bulgargaz' obligations for delivery and the Customer's obligations for acceptance of the natural gas. The value of the contract assets also includes the amount of excise tax to be re-invoiced to customers.

As at 31 December 2025, the balance of contract assets amounted to BGN 15,419 thousand, including the right to remuneration for delivered but uninvoiced amounts of natural gas for the month of December 2025 in the amount of BGN 14,323 thousand and excise duty in the amount of BGN 1,098 thousand. (31 December 2024: BGN 35,603 thousand and excise duty BGN 1,411 thousand).

The amount of contract assets and contract liabilities at the end of each reporting period is recognised in full as revenue from the sale of goods in the next reporting period as described above i.e. in accordance with the agreed terms with customers and the Company's accounting policy.

CONTRACT LIABILITIES

Customer contract liabilities represent payments made by customers during the month of supply for contracted quantities of natural gas and capacity products.

23. OTHER REVENUE

The other revenue of the Company includes as follows:

	YEAR ENDED 31 DECEMBER 2025	2024
Penalties on overdue receivables	72,215	56,454
Income from sale of capacity	2,964	276
Compensation for non-fulfilment of a contract for the Alexandroupolis terminal	2,882	3,662
Compensation as a user of the IGB interconnector	2,427	-
Recovered legal costs	672,	1,792,
Other	4	530
Total other revenue	**81,164**	**62,714**

The income from penalties on overdue receivables is recognized as a percentage of the amount due by the customer for delay for the period from the due date of the relevant invoice to the date of receipt in the Company's bank account.

24. EXPECTED CREDIT LOSSES AND IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET

The Company's expected credit losses related to depreciation of financial assets are as follows:

	YEAR ENDED 31 DECEMBER 2025	2024
Accrued impairment losses of trade receivables, net (Note 14)	(25,868)	(25,893)
Accrued impairment losses on court and adjudicated receivables, net (Note 14)	(4,989)	(5,891)
(Accrued)/recovered loss from depreciation of funds in banks, net (Note 15)	(2)	3
Recovered/(accrued) impairment loss on receivable from natural gas supplier (Note 14)	3,884	(1,997)
Recovered impairment loss on CCB (insolvent) (Note 14)	15	-
Impairment loss on written-off trade and other receivables	(18,448)	(34,736)
Total expected credit losses and impairment losses on financial assets or the year, net	**(45,408)**	**(68,514)**

25. HIRED SERVICES EXPENSES

The hired services expenses of the Company include as follows:

	YEAR ENDED 31 DECEMBER 2025	2024
Natural gas storage expenses	(11,511)	(14,318)
Court fees and legal advices	(5,827)	(8,761)
Licence fees	(813)	(1,351)
Port charges	(807)	-
Insurances	(286)	(340)
Rents	(259)	(259)
Participation fee for a natural gas trading platform	(169)	(272)
Remunerations of audit committee members	(145)	(152)
Costs under management contracts	(76)	(111)
Consulting services	(47)	(96)
Other expenses	(1,170)	(1,147)

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
Total hired services expenses	**(21,110)**	**(26,807)**

26. COSTS FOR UNUSED CAPACITY

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
Entry point Strandzha1/Malkochlar	(250,458)	(266,943)
Entry point Kulata/Sidirokastro and Agia Triada	(11,978)	(11,304)
Entry point Stara Zagora	(35,049)	(16,972)
Starting point: Negru Voda 1	(1,935)	-
Total costs for unused capacity	**(299,420)**	**(295,219)**

The Company's unused capacity costs in 2025 are related to Bulgargaz' obligations to ensure uninterrupted and secure supply of natural gas. This commitment requires access to and provision of secure routes for its supply.

With the signing of the Agreement for access to the terminals of Botaş and the ensured flexibility of supply from 01 April 2023, Bulgargaz EAD assumed the obligation to pay a daily fee for the provided regasification, storage, capacity, transmission and flexibility services. Quantities shall be made available on request from Bulgargaz at the entry point Malkochlar/Strandzha 1.

Due to an accident at the Alexandroupolis terminal and its six-month shutdown, spare capacity was realised at the Stara Zagora and Kulata/Sidirokastro entry points.

The cost of unused capacity, above the actual consumption, is a result of the change in the company's business model and the need to provide alternative LNG supply routes, given the limited number of terminals in the region. In the event of non-receipt by customers and a corresponding reduction in the amount of sales generated, the amount of the expense from non-utilization of the provided capacity is charged to the Company's operating expenses.

27. EMPLOYEE BENEFITS AND SOCIAL SECURITY EXPENSES

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
Remunerations	(4,282)	(4,284)
Social security expenses	(521)	(473)
Compensated leaves costs	(214)	(139)
Cost of defined retirement benefit obligations (Note 20)	(35)	(21)
Total employee benefit expenses	**(5,052)**	**(4,917)**

The number of employees at the end of the reporting periods and the average number of employees is as follows:

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
Hired employees at the end of the period	56	54
Average number of hired employees throughout the year	55	54

28. COST OF MATERIALS

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
Basic materials	(7)	(6)
Fuels and lubricants	(8)	(3)
Office supplies and consumables	(16)	(21)
Other	(25)	(24)
Total cost of materials	**(56)**	**(54)**

29. OTHER EXPENSES

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
Costs for reinvoiced capacity	(3,869)	(3,933)
Penalties on delayed payments	(30)	-
Business trips and entertainment costs	(52)	(46)
Trainings	(30)	(18)
One-off taxes	(46)	(36)
Other	(75)	(32)
Total other expenses	**(4,102)**	**(4,065)**

30. FINANCIAL INCOME AND COSTS

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
Financial income		
Interest income on cash and cash equivalents	175	244
Income from interests from financial assets carried at depreciated cost	**175**	**244**
Total financial income	**175**	**244**
Financial costs		
Interest expenses under short-term borrowings	(50,048)	(45,292)
Interest expenses under legal proceedings	(5,497)	-
Interest expenses under leases	(4)	(11)
Interest expenses under contracts with suppliers	(4)	-
Interest expenses under financial liabilities carried at depreciated cost	**(55,553)**	**(45,303)**
Interest expenses on overdue tax liabilities	-	(395)
Bank fees	(6,746)	(6,289)
Interest expenses on payment of obligations according to defined benefit plans (Note 20)	(9)	(9)
Total financial costs	**(62,308)**	**(51,996)**

31. FOREIGN EXCHANGE PROFIT/(LOSS), NET

	YEAR ENDED 31 DECEMBER 2025	2024
Foreign exchanges losses on receivables and payables and cash and cash equivalents	(25,424)	(10,984)
Foreign exchanges gains on receivables and payables and cash and cash equivalents	52,567	6,019
Foreign exchange loss, net	**27,143**	**(4,965)**

32. EXPENSES ON PROFIT TAXES

The expected tax income/(costs) based on the applicable tax rate of 10% (2024: 10%) and the tax income/expenses actually recognized in profit or loss may be aligned as follows:

	YEAR ENDED 31 DECEMBER 2025	2024
Loss before tax	(266,527)	(311,819)
Tax rate	10%	10%
Expected tax income	26,653	31,182
Tax effect on:		
Expenses not recognized for tax purposes	(4,936)	(9,569)
Income not recognized for tax purposes	5,620	13,639
Expenses on current corporate tax	**-**	**-**
Effect, occurrence and reversal of temporary differences (Note 11)	689,	(4,070),
(Expense) for/income from income taxes	**(689)**	**(4,070)**
Deferred tax expense/(income) recognized directly in the other comprehensive income	**1**	**(1)**

33. NON-CASH TRANSACTIONS

In 2025 the Company did not enter into any investment and financing transactions, in which cash and cash equivalents were not used and which are not reflected in the cash flow statement.

34. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Case COMP/B1/AT.39849 — BEH gas

The case concerns a possible violation of Article 102 of the Treaty on the Functioning of the European Union (TFEU) in connection with alleged actions of BEH EAD and its subsidiaries — Bulgargaz EAD and Bulgartransgaz EAD aimed at:

- preventing their competitors from gaining an access to key gas infrastructure (gas transmission network and natural gas storage facility) in Bulgaria, such as explicitly or implicitly denying third parties access or causing delays;
- preventing competitors from gaining an access to the main import pipeline by reserving capacity that remains unused.

The proceedings were instituted in 2013 with a view to adopting a decision under Chapter 3 (Articles 7 to 10) of Regulation 1/2003.

On 23 March 2015, EC issued a Statement of Objections. Bulgarian Energy Holding EAD and its gas subsidiaries submitted their respective responses to the European Commission on 9 July 2015 (Bulgargaz EAD), 10 July 2015 (Bulgarian Energy Holding EAD) and 17 July 2015 (Bulgartransgaz EAD).

On 24 November 2017, a decision was adopted by the 44th National Assembly (NA) of the Republic of Bulgaria to take the necessary actions to close Case COMP/B1/AT.39849 — BEH gas, whereby the National Assembly supported the closure of the case under Article 7 of Regulation (EC) No 1/2003 without acknowledging the infringements alleged without taking responsibility for them, fulfilling the obligations arising from a possible prohibition decision, including a possible financial penalty. To date, the European Commission has not taken a formal decision on the closure of the case, including on the possible amount of the financial penalty.

On 26 July 2018, a decision was adopted by the 44th National Assembly (NA) of the Republic of Bulgaria to take action to close Case COMP/B1/AT.39849 — BEH gas under Article 9 of Regulation (EC) No 1/2003 by undertaking commitments on the part of Bulgaria and reaching an agreement with the European Commission. The second SC Decision is motivated by the development of Case COMP/B1/AT.39816 between the EC and Gazprom, in which the Commission announced on 24 May 2018 that an agreement had been reached and the same was closed under Article 9 of Regulation (EC) No 1/2003 without financial penalty.

On 17 December 2018, the European Commission announced adopted Decision C(2018)8806 in Case AT.39849 BEH-gas, whereby the European Commission imposed a fine on Bulgarian Energy Holding EAD (BEH EAD), its supply subsidiary Bulgargaz EAD and its gas infrastructure subsidiary Bulgartransgaz EAD (BEH Group) in the amount of EUR 77,068,000 for blocking competitors' access to key gas infrastructure in Bulgaria in violation of EU antitrust rules. The decision was received in the offices of the three companies on 19 December 2018, which determines the beginning of the period for appealing the EC Decision (two months and ten days from notification of the Decision to the Parties) and for payment of the fine (three months from the notification of Decision to the Parties), set out therein. An appeal against the decision shall not delay payment of the fine.

On 18 March 2019 ING Bank NV issued two unsecured bank guarantees in favour of the EC for a total amount equal to the fine of EUR 77,068,000 as follows:

- a bank guarantee in the amount of EUR 51,379 thousand, covering 2/3 of the total amount of the fine, securing the obligations of Bulgarian Energy Holding EAD and Bulgargaz EAD;
- a bank guarantee in the amount of EUR 25,689 thousand, securing the obligation of Bulgartransgaz EAD for the sanction imposed.

On 4 July 2019, the Bulgarian state, through the Ministry of Foreign Affairs, submitted an application to intervene in the case in support of BEH EAD and its subsidiaries gas companies.

On 26 August 2019, the European Commission presented its defense before the General Court in response to an appeal lodged by Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD.

On 29 November 2019, Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD filed a Response against the Defense of the European Commission.

On 20 February 2020 within the specified period by the General Court of the European Union the Republic of Bulgaria through the Ministry of Foreign Affairs (MFA) filed the official position of the Republic of Bulgaria in case T-136/19, provided to the Ministry of Foreign Affairs by the Ministry of Energy, whereby the Bulgarian state intervenes in support of Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD v. European Commission before the General Court of the European Union. The General Court examined additional documents and requested information in order to clarify all the circumstances attached to the case. By letter of 14 March 2022, the Court requested the European Commission to provide non-confidential versions of the documents listed by the Court. A response from the European Commission is expected.

On 29 September 2022, the trial concluded with oral argument in BEH Gas, during which the parties summarized their positions and the court asked questions that were addressed by the parties.

On 25 October 2023, the Court of First Instance rendered a judgment in favour of Bulgarian Energy Holding EAD, Bulgartransgaz EAD and Bulgargaz EAD, by which the Court of First Instance annulled in full the fine imposed by the European Commission on the three companies of the BEH Group, which the European Commission amounted to EUR 77,068,000.

As at 31 December 2023, the bank guarantee securing the obligations of Bulgarian Energy Holding EAD, Bulgartransgaz EAD and Bulgargaz EAD has been released.

The carrying amount of the provision in the lawsuit is BGN 53,715 thousand, including BGN 50,244 thousand (31 December 2024: BGN 53,715 thousand), representing one third of the total amount of the fine imposed and interest thereon as at 25 October 2023 amounting to BGN 3,471 thousand. (31 December 2023: BGN 2,856 thousand). Management's expectation is that final resolution of the dispute will occur more than 12 months from the balance sheet date. No interest was charged in 2024.

On 11 January 2024, an appeal was lodged by the European Commission against the judgment of the Court of First Instance, seeking to set aside the judgment of the General Court in its entirety. On the grounds of the appeal, Case C-14/24 P was brought before the Court of Justice of the European Union — European Commission v Bulgarian Energy Holding EAD and others. Due to the retaliatory actions taken by the EC and the appeal of the European Court of Justice's decision, the management of BEH Group has decided not to reimburse the recognised provision until the case is finally resolved. This decision is supported by the opinion of an independent legal advisor. In 2023, the Company recognised interest expense in the amount of BGN 615 thousand (2022: BGN 754 thousand) as an increase in the amount of the interest provision related to the maintenance of collateral in the form of a bank guarantee.

On 29 March 2024, BEH-Group filed a reply to the European Commission's complaint to the Court of Justice of the European Union.

On 22 July 2024, the European Commission submitted a counter-reply to the Court of Justice of the European Union. On 30 September, BEH-Group provided a response.

On 30 September 2024, Bulgarian Energy Holding EAD, Bulgartransgaz EAD and Bulgargaz EAD, and the State, filed replies to the European Commission's complaint in Case C-14/24 before the Court of Justice of the European Union.

On 5 November 2024, the CJEU notified the parties that the written procedure was closed.

On 10 December 2025, an oral hearing took place before the Court of Justice of the European Union in Luxembourg, during which the parties presented their main arguments and answered to questions from the judges. On 23 April 2026, the Advocate General delivered his opinion in the case. A final ruling by the Court of Justice of the European Union is expected by the end of 2026; consequently, the provision has been reclassified as a current liability.

Contingent assets

1/ In connection with a trade dispute from a preceding period, Bulgargaz EAD claimed the return of natural gas used to fill the Transit 1 gas pipeline against the Romanian company Transgaz S.A. Arbitration case No 78/2019 was initiated before the International Commercial Arbitration Court of the Romanian Chamber of Commerce and Industry. By an award dated 9 December 2021, Transgaz was ordered to restore the quantity of gas or its cash equivalent of USD 923 thousand, together with interest and costs. The request of Transgaz for suspension of the enforcement was rejected and the amount was paid to Bulgargaz on 9 March 2022.

By Decision No 96 of 17 December 2025 of the Bucharest Court of Appeal in Case No 8307/2/2021, the court set aside Arbitration Award No 120 of 9 December 2021 and referred the case back to the Court of Arbitration for reconsideration; the decision is subject to appeal within 30 days of notification. Bulgargaz lodged a cassation appeal against the decision of the Bucharest Court of Appeal within the prescribed time limit.

Due to the limited access to gas in Transit 1, Bulgargaz impaired it in 2021 and the compensation received was accounted for as a liability until the dispute is finally settled.

2/ As at 31 December 2025, the Company has bank guarantees from commercial customers in the amount of BGN 28 million. (31 December 2024: BGN 43 mln.) The bank guarantees are in accordance with the terms of the commercial gas supply and sales contracts with customers.

Contingent liabilities

1/ There are legal claims initiated against the Company, but they are not of considerable material interest. With the exception of those for which provisions have already been accrued, the Management of the Company considers that the claims are unfounded and that they are unlikely to incur expenses for the Company in settling them. This assessment by management is supported by the opinion of both the lawyers in the Company's Legal Department and an independent legal adviser.

None of the aforementioned claims is set out in detail here, so as not to have a serious impact on the Company's position in dispute resolution.

2/ Natural gas transportation agreement was entered into with ICGB AD based on a preliminary agreement for capacity expansion in 2019.

In connection with this agreement, a corporate guarantee in the amount of EUR 16,102 thousand was issued by Bulgarian Energy Holding EAD in favour of ICGB SA with a period of validity until 22 December 2028.

3/ Bulgargaz EAD has been granted two bank borrowings of an overdraft type with a combined limit of BGN 234,700 thousand, with a repayment period 29 December 2026. The borrowings are secured by a state guarantee covering up to 90% of the value of the overdrafts on the basis of two Guarantee Agreements dated 29 December 2023.

4/The company has five bank borrowings, overdraft-type, secured by a guarantee from Bulgarian Energy Holding, with a limit of BGN 219,900 thousand and a market interest rate.

Commitments made

1/ Pursuant to an agreement entered into in 2020 with a banking institution, the Company has been granted a credit product in the form of a bank guarantee issued in favour of a natural gas supplier. The term is renewed periodically, every six months, and at the last reference — until 11 December 2025 and the amount is USD 128 million.

2/ Pursuant to an agreement entered into in 2022 with a banking institution, the Company has been granted a credit product in the form of a bank guarantee issued in favour of a natural gas supplier, with a limit of up to EUR 59,350 thousand and maturing on 30 November 2026.

3/ The Company has concluded agreements as at 31 December 2025 with banking institutions for the provision of working capital financing in the form of overdrafts in the amount of up to BGN 219,900 thousand. (as at the end of 2024: BGN 234,700 thousand).

Other

Tax authorities may at any time initiate tax inspection revision of the Company within 5 years after the end of the financial year and may impose additional tax liabilities and sanctions. The Company's management has no information about any circumstances, which may lead to potential effective additional tax liabilities in significant amount.

35. RELATED PARTIES TRANSACTIONS AND BALANCE

The Company discloses the following related parties:

Entity	Country of incorporation	Main activity
Sole owner of the Company, exercising control (Parent company)		
Bulgarian Energy Holding EAD (BEH)		
Sole owner of the Parent company		
The Bulgarian State through the Minister of Energy		
Subsidiaries		
Bulgargaz North	Moldova	Trade in natural gas
Companies under mutual joint control with the Company (entities within the group)		
Kozloduy NPP EAD	Bulgaria	Generation of electricity and heat
WPP Kozloduy EAD	Bulgaria	Generation and distribution of electricity from hydropower

Entity	Country of incorporation	Main activity
Kozloduy NPP — New Build EAD	Bulgaria	Operation of a nuclear plant for electricity production
NPP Service LTD	Bulgaria	Maintenance of automation tools
NPP Construction Supervision LTD	Bulgaria	Conformity assessment of investment projects
Bulgartransgaz EAD	Bulgaria	Storage and transmission of natural gas
Balkan Gas Hub EAD	Bulgaria	Building and operating an electronic trading platform for natural gas, energy products, green and white certificates, carbon emissions
Elektroenergien sistemen operator EAD	Bulgaria	Electricity transmission
ESO Engineering EOOD	Bulgaria	Design, consultancy, construction of technologies and projects for energy facilities
ESO Proekt EOOD	Bulgaria	Design of energy objects
ESO Charge EOOD	Bulgaria	Construction, commissioning, operation and maintenance of electricity and hydrogen recharging systems, hydrogen production systems
Bulgartel AD	Bulgaria	Implementation of telecommunications
Bulgartel-Skopje DOOEL	Macedonia	Implementation of telecommunications
Maritsa East Mines EAD	Bulgaria	Extraction and sale of coal
Natsionalna Elektricheska Kompania EAD	Bulgaria	Generation of electricity and public electricity supplier
TPP Maritsa East 2 EAD	Bulgaria	Generation of electricity and heat
National Energy Operator EAD	Bulgaria	Construction and operation of electric power facilities and all other activities not prohibited by law.
Minroekt EAD	Bulgaria	Exploration, design-construction, research and other activities in the field of open-pit and underground coal mining
Jointly controlled entities		
ICGB AD	Bulgaria	Construction and operation of gas transmission system
South Stream Bulgaria AD	Bulgaria	Construction and operation of gas transmission system
Transbalkan Electric Power Trading S.A. — NECO S.A.	Greece	Sale of electricity
Associates		
ContourGlobal Maritsa East 3 AD	Bulgaria	Electricity generation
ContourGlobal Operations Bulgaria AD	Bulgaria	Operation and maintenance of a thermal power plant
ZAD 'Energy'	Bulgaria	Insurance company
POD Allianz Bulgaria AD	Bulgaria	Pension insurance company
Hydro Power Company Gorna Arda AD	Bulgaria	Construction of hydroelectric power plants
Other related parties under joint control		
Public sector enterprises under joint control of the Council of Ministers in the Republic of Bulgaria		
Key management personnel of the Parent Company as at 31 December 2025		
Valentin Alexiev Nikolov		Member of the Board of Directors and Executive Director of BEH EAD
Veselina Lachezarova Kanatova-Buchkova		Chairman and Member of the Board of Directors of BEH EAD

Entity	Country of incorporation	Main activity
Kalin Filipov		Vice Chairman and Member of the Board of Directors of BEH EAD
Diyan Stanimirov Dimitrov		Member of the Board of Directors of BEH EAD
Ivo Ivanov Todorov		Member of the Board of Directors of BEH EAD

Key management personnel of the parent company effective as at 28 May 2026

Andrei Stefanov Zhivkov	Member of the Board of Directors and Executive Director of BEH EAD
Ilza Mitkova Chinkova	Chairman and Member of the Board of Directors of BEH EAD
Vasil Vasilev Vasilev	Vice Chairman and Member of the Board of Directors of BEH EAD
Petar Valeriev Angelov	Member of the Board of Directors of BEH EAD
Ivo Ivanov Todorov	Member of the Board of Directors of BEH EAD

Key management personnel of the Company until 22 April 2024

- Ivan Topchiysky — Chairman of the Board of Directors;
- Deniza Slateva — Executive Member of the Board of Directors;
- Tatyana Petrova-Boyadzhieva — Member of the Board of Directors.
- Veselin Sinabov — Member of the Board of Directors;
- Dimitar Spasov — Member of the Board of Directors;

Key management staff of the Company as at 23 April 2024

- Ivan Topchiysky — Chairman of the Board of Directors;
- Veselin Sinabov — Executive Member of the Board of Directors;
- Mihail Milkov — Member of the Board of Directors;
- Byanka Racheva — Member of the Board of Directors;
- Marin Filipovski — Member of the Board of Directors;

The sales and purchases to related parties are carried out at agreed prices. Outstanding balances at the end of the reporting period are unsecured, interest free (excluding borrowings and deferred trade payables) and their settlement is done in cash. For the receivables or obligations from/to related parties, no guarantees were granted or received, except for a guarantee amount of Bulgartransgaz EAD under a Contract for natural gas access and transmission, a Contract for natural gas balancing, and a Contract for natural gas storage.

The transactions between the Company and its related parties are as follows:

(A) SALE OF GOODS	**YEAR ENDED 31 DECEMBER**	
	2025	**2024**
Companies under joint control		
ICGB AD	-	71
Bulgartransgaz EAD	13,424	16,285
Total	**13,424**	**16,356**

Sales include natural gas for balancing and realized natural gas, in accordance with the Rules for Operation of the Organized Exchange Platform of Gas Hub Balkan EAD.

(B) PURCHASE OF GOODS AND SERVICES	YEAR ENDED 31 DECEMBER	
	2025	**2024**
Parent company		
Bulgarian Energy Holding EAD	91	111
Companies under joint control		
Bulgartransgaz EAD	115.679	123.577
ICGB AD	45.676	46.592
Bulgartel EAD	5	7
Gas Hub Balkan EAD	70	219
Total	**161.521**	**170.506**

The purchases of services from Bulgarian Energy Holding EAD include services under management and control agreement and others.

The purchases of services from Bulgartransgaz EAD include transmission, access (capacity) and storage of natural gas, and purchases of natural gas for balancing.

Purchases of services from ICGB AD include natural gas transportation service on the IGB pipeline.

The purchases of services from Bulgartel EAD include technical support.

The purchases of services from Gas Hub Balkan EAD represent fees for access granted to the natural gas trading platform.

(C) RECEIVABLES UNDER SALES OF GOODS AND SERVICES	AS AT 31 DECEMBER	
	2025	**2024**
Companies under joint control		
ICGB	10,639	12,595
Bulgartransgaz EAD	26,254	27,412
Total current receivables	**36,893**	**40,007**

The receivables from Bulgartransgaz EAD represent financial collateral in the form of a credit limit and a guarantee granted in connection with a Contract for natural gas access and transmission on the gas transmission network and a Contract for balancing entered into with Bulgartransgaz EAD.

(D) PAYABLES FOR PURCHASES OF GOODS AND SERVICES

	AS AT 31 DECEMBER	
CURRENT	**2025**	**2024**
Parent company		
Bulgarian Energy Holding EAD	31	18
Companies under joint control		
Bulgartransgaz EAD	3,054	5,318
Bulgartel EAD	1	1
Gas Hub Balkan	4	11
ICGB AD	4,783	4,862
Total current payables	**7,873**	**10,210**

The payables to Bulgartransgaz EAD are related to received current services for access, transmission and storage of natural gas and current supply of natural gas for balancing.

Liabilities to ICGB AD include natural gas transmission services.

(E) BORROWING PAYABLES	**YEAR ENDED 31 DECEMBER 2025**	**2024**
NON-CURRENT		
Ultimate owner — Ministry of Energy		
At the beginning of the period	**-**	**800,000**
Borrowing received reclassified to current part		(800,000)
Payables on borrowing received at the end of the period	**-**	**-**
Parent company — Bulgarian Energy Holding EAD		
At the beginning of the period	**570,000**	**370,000**
Borrowing received, reclassified from current portion	-	200,000
Accrued interests expenses	20,464	12,118
Interest paid	(20,464)	(12,118)
Payables on borrowing received at the end of the period	**570,000**	**570,000**
TOTAL NON-CURRENT BORROWINGS	**570,000**	**570,000**
CURRENT		
Ultimate owner — Ministry of Energy		
At the beginning of the period	**800,889**	**22,942**
Borrowing received, reclassified from non-current part	-	800,000
Accrued interest expenses reclassified to current portion	-	-
Accrued interests expenses	16,222	16,331
Interest paid	(16,222)	(38,384)
Payables on borrowing received at the end of the year	**800,889**	**800,889**
Parent company — Bulgarian Energy Holding EAD		
At the beginning of the period	**60,564**	**260,000**
Borrowing received during the year	15,000	-
Borrowing payments received during the year	-	-
Reclassified non-current borrowing	-	(200,000)
Accrued interests expenses for the year	2,397	8,624
Interest paid during the year	(2,247)	(8,060)
Payables on borrowing received at the end of the year	**75,714**	**60,564**
TOTAL CURRENT BORROWINGS	**876,603**	**861,453**

1/ In 2022, the company received three borrowings from the parent company with limits of up to BGN 200 million, BGN 60 million, and BGN 457 million. The agreed annual interest rates are 3.275% / 3.23% and the repayment terms are in February 2023, July 2023 and December 2023, respectively. In June 2025, Bulgarian Energy Holding EAD revised the interest rates on the intra-group borrowings already granted to 3.865%. On 19 September 2025 Bulgargaz EAD received a further borrowing of BGN 15,000 thousand, maturing on 18 September 2026, at an interest rate of 3.915%. As at 31 December 2025, the borrowings received from the parent company were as follows:

- the borrowing in the amount of BGN 60 million matures in July 2026 and bears an interest rate of 3.865%.
- the borrowing in the amount of BGN 200 million matures in June 2027 and bears an interest rate of 3.865%.
- the borrowing in the amount of BGN 370 million matures in December 2028 and bears an interest rate of 3.865%.
- the borrowing in the amount of BGN 15 million matures in July 2026 and bears an interest rate of 3.915%.

2/ In 2022 the Company has received a borrowing from the Ministry of Energy in the amount of BGN 800,000 thousand, secured by a special pledge of current and future receivables from Toplofikacia Sofia EAD. The borrowing bears an annual interest rate of 2% and initial maturity date on 12 August 2025. The principal and interest are paid according to a repayment plan. Interest shall become payable from February 2024. On 15 August 2025 the Council of Ministers adopted Decree No 161 of 15 August 2025, amending the term of the borrowing from '36 months' to '72 months', i.e. a new maturity date until 12 August 2028 has been set. Pursuant to paragraph 2 of Decree of the Council of Ministers No 161, the extension of the borrowing term shall not take effect until approval has been received from the European Commission confirming that the amendment constitutes a compatible state aid measure. As at 31 December 2025 and as at the date of preparation of the financial statements, no approval had been received from the European Commission.

(F) REMUNERATION OF KEY MANAGEMENT PERSONNEL

The key management personnel includes members of the Board of Directors. Key management personnel remunerations are as follows:

	YEAR ENDED 31 DECEMBER	
	2025	**2024**
Short-term benefits to key management personnel		
Employee benefits expenses	(602)	(676)
Social security expenses	(26)	(23)
Total	**(628)**	**(699)**

As at the end of each of the reporting periods, the Company had no payables to key management personnel of the Company relating to their emoluments.

36. EVENTS THAT OCCURRED AFTER THE END OF THE REPORTING PERIOD

No adjusting events occurred between the date of the financial statements and the date of their adoption.

The following significant non-adjusting events have occurred:

1/Under the Euro Introduction Act in the Republic of Bulgaria, with effect from 1 January 2026, the official currency and legal payment instrument in the Republic of Bulgaria shall be the euro. The fixed exchange rate is BGN 1.95583 to EUR 1. The introduction of the euro as the official currency of the Republic of Bulgaria constitutes a change in the functional currency, which will be recognised prospectively and does not constitute a post-balance-sheet adjusting event.

2/ Bulgargaz has entered into a contract with Bulgargaz North for the sale of natural gas, under which Bulgargaz acts as the Seller and Bulgargaz North SRL as the Buyer. In January 2026, the subsidiary of Bulgargaz EAD in Moldova — Bulgargaz North SRL — began selling natural gas via the Bursa Română de Mărfuri (BRM) electronic trading platform in Moldova.

3/ Following a tender procedure to select a financial service provider for granting a borrowing to cover operating expenses, in the form of an overdraft, in January 2026 Bulgargaz EAD entered into agreements with four commercial banks, with a total limit of EUR 111 million.

4/ Since the end of February, there has been an escalation in tensions linked to a military conflict in Iran, which is contributing to increased geopolitical uncertainty in the region and globally. As a result of the military conflict that broke out in the Middle East in early March, there has been a sharp rise in the TTF index, which will affect spot deliveries of liquefied natural gas and oil prices, and this will have a longer-term impact on supply prices under the long-term contract with the Azeri company. The management monitors the development of the situation and has taken the available information into account when preparing its accounting estimates and assumptions; at present, no need for adjustments to the financial statements has been identified, apart from those already disclosed.

5/ On 28 May 2026, a change to the composition of the Board of Directors of 'Bulgarian Energy Holding' was entered in the Commercial Register; the new members are Andrey Zhivkov, Ivo Todorov, Petar Angelov, Vasil Vasilev and Ilza Chinkova.

37. DISCLOSURE ACCORDING TO LEGAL REQUIREMENTS

These financial statements have been audited by the audit firm Grant Thornton OOD and the audit firm Zaharinova Nexia EOOD, on the basis of a contract concluded between Bulgarian Energy Holding EAD and DZZD Audit BEH.

The financial statements are stand-alone, as the Company has made use of the exemption from consolidation in accordance with IFRS 10 'Consolidated Financial Statements', paragraph 4. The financial statements of Bulgargaz EAD and its subsidiary are included in the consolidated financial statements of the parent company, Bulgarian Energy Holding EAD, which comply with the requirements of International Financial Reporting Standards. They have been produced for public use and can be found on the BEH EAD website – https://bgenh.com/

The Company does not charge for independent financial audit. The consolidated financial statements of Bulgarian Energy Holding EAD include disclosure of accrued amounts for services provided by the registered statutory auditors for an independent financial audit. During the period the registered statutory auditors did not provide any other services to the Company.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements as at 31 December 2025 (including comparatives) were approved for issuance by the Board of Directors on 29 May 2026.

INDEPENDENT AUDITORS' REPORT

To the sole shareholder of Bulgargaz EAD
City of Sofia
str. 47, Petar Parchevich str.

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of **Bulgargaz EAD** (the 'Company'), which comprise the statement of financial position as at **31 December 2025**and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the explanatory appendices (notes) to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the issues described in the section of our report entitled 'Basis for Qualified Opinion', the accompanying financial statements give a true and fair view of the financial position of the Company as at **31 December 2025**, its financial performance and its cash flows for the period then ended in accordance with IFRS accounting standards as adopted by the EU and the Bulgarian law.

Basis for expressing of an informed opinion

1. As disclosed in annexes **2.2 Going Concern Basis**, at the end of 2022 the Company entered into a long-term agreement with BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş for access to the LNG regasification terminals in Turkey and the subsequent LNG transportation to the territory of the Republic of Bulgaria for a period of 13 years. In annex **26. 'Unused Capacity Costs'** a disclosure is made that as part of the contract performance in 2025, the Company has reported unused capacity costs amounting to BGN 250,458 thousand (for year 2024: BGN 266,943 thousand), which is essentially an unused but paid service. In annex **5.4. 'Provisions'** information is disclosed about the Company's management's judgments and assumptions about the accounting treatment of the operation, performance and expected development and implementation of the Arrangement. On the basis of its analysis, including and based on all the available internal and external information for the Company, the management has come to the conclusion that the agreement between Bulgargaz and BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş does not constitute an onerous contract within the meaning of IAS 37
'Provisions, contingent liabilities and contingent assets'.

   As a result of our audit procedures, we were unable to obtain sufficient and appropriate audit evidence that the assumptions and assumptions underlying management's judgment as to whether or not to treat the agreement as onerous are reasonable and adequately reflect the complexity and specifics of the terms of the agreement, including the effect of possible events that could occur outside of management's control and affect the performance of the agreement. Due to numerous assumptions and uncertainties related to future events, we could not satisfy ourselves with a reasonable degree of certainty as to the extent to which this contract will be utilized by the end of its term. According to IAS 37 'Provisions, contingent liabilities and contingent assets', this contract has the characteristics of an 'onerous contract' because the costs that cannot be avoided in performing the obligations under the contract outweigh the economic benefits expected to be received under the contract. Therefore, current obligations under such a contract are required to be recognized and measured as a provision for an onerous contract.

   Accordingly, we have not been able to determine whether, and to what extent, adjustments would be required to the carrying value of provisions and to the related provision expense for onerous contracts. In the event that different judgements were applied to produce the most reliable estimate of the expenditure required to settle the present obligation at the end of the reporting period in accordance with the requirements of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' in preparing the Company's annual financial statements as at 31 December 2025.

2. As disclosed in Note **12 'Inventories'** to the annual financial statement, the balance sheet value of the Company's natural gas as of 31 December 2025 is BGN 281,466 thousand. In preparing the assessment related to the determination of the net realizable value of the natural gas, the management of the Company has referred to an expected sales price of the natural gas (European index TTF Front month, used as a reference price quote, published in the Argus Media newsletter on 30 January 2026) for January 2026. This price is applied only to a part of the available quantity, which is planned to be realized by the end of 2026 according to the Contingency Action Plan. As a result, the total balance sheet value of the Company's natural gas as of 31 December 2025 consists of natural gas valued at prime cost and net realizable value, whichever is lower, in the amount of BGN 81,532 thousand and natural gas valued at cost in the amount of BGN 199,934 thousand

   We were unable to obtain sufficient and appropriate audit evidence that the method so applied to determine the net realisable value and, accordingly, the calculation of the impairment loss on natural gas complied with the requirements of IAS 2 'Inventories'. In the event that the Company had applied a consistent approach to determine the net realizable value of the entire available amount of natural gas as of 31 December 2025, this value would be BGN 69,623 thousand lower than its balance sheet value, and the impairment costs for year 2025 they would be higher by the same amount. Accordingly, the net loss for year 2025 would have increased by BGN 62,661 thousand after deducting the related tax temporary differences of BGN 6,962 thousand.

3. As disclosed in Note **13** '**Prepayments for natural gas supplies to the annual financial statements** as at 31 December 2025, these advances amount to BGN 405,409 thousand. The Company has not estimated the recoverable amount of all prepaid advances as required by applicable accounting standards. The results of our audit procedures showed that if a consistent approach was used to determine the recoverable value of natural gas advances based on its expected sales price, the Company would have recorded an additional loss in the amount of BGN 127,308 thousand for year 2025. Accordingly, the net loss for year 2025 would increase by BGN 114,577 thousand, after deducting the relevant tax temporary differences of BGN 12,731 thousand.

4. The company has not recognised late payment interest expenses amounting to BGN 48,803 thousand for 2025 in respect of a borrowing granted by the Ministry of Energy, which matures in 2025. On 15 August 2025, Decree of the Council of Ministers No 161 was issued, aimed at extending the borrowing term, which comes into force from the date of receipt of approval from the European Commission confirming that the amendment constitutes a compatible state aid measure. As at the date of the financial statements, the Decree had not entered into force due to the lack of the necessary approval. Consequently, the borrowing with a principal amount of BGN 800,000 thousand is considered due and overdue as at the balance sheet date from the lender's perspective, which has led to the charging of default interest. In the event that the Company had recognised the amount of default interest in accordance with the terms of the valid contract, the net loss for 2025 would have increased by BGN 48,803 thousand, whilst net assets at the balance sheet date would have decreased by the same amount.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the section of our report entitled 'Auditor's Responsibilities for the Audit of the Financial Statements'. We are independent of the Company in accordance with
'The International Code of Ethics for Professional Accountants (including International Standards on Independence) of the International Ethics Standards Board for Accountants (IESBA Code)', applicable to audits of the financial statements of public-interest entities, together with the ethical requirements applicable to audits of the financial statements of public-interest entities in Bulgaria. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.
We consider that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty associated with the going concern assumption

We draw attention to Note **2.2. 'Going Concern Principle'**, which discloses detailed information regarding management's assessment of the application of the going concern basis in preparing the Company's annual financial statements as at 31 December 2025, the material challenges to the Company's operations, and the measures taken to secure natural gas supplies and provide liquid funds. Since the end of February 2022, as a result of the military conflict between Ukraine and the Russian Federation, a series of events and circumstances beyond the Company's control have occurred that have resulted in the need to secure natural gas reserves at prices that were significantly higher in 2022 compared to the current market levels.

In year 2025 Bulgargaz EAD reports a net loss of BGN 267,216 thousand and a negative net cash flow from operating activities of BGN 148,943 thousand. As at 31 December 2025, the Company's equity is negative, amounting to BGN 457,598 thousand and accordingly the share capital exceeds the value of net assets at the end of the year, which is not in compliance with the requirements of Article 252 of the Commercial Act. In addition, as

disclosed in **Note 19 'Trade and other payables'**, counted from July 2024, the Company is not paying its capacity obligations due under the Agreement with BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş.

These circumstances, together with the matters described in the Basis for Expressing a Qualified Opinion section of our report, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue functioning as a going concern without the support of the sole owner BEH EAD and the Bulgarian state, represented by the Ministry of Energy. On 18 June 2025, the management of Bulgarian Energy Holding EAD confirmed in writing the declared support for financial and operational security of the Company for the next one-year period.
Our opinion is unmodified with respect to this issue.

Key audit issues

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements for the current period. These matters are addressed as part of our audit of the financial statements as a whole and the formulation of our opinion thereon, and we do not provide a separate opinion on these matters.
Except for the matters described in the 'Basis for Expressing a Qualified Opinion' section and the section 'Significant uncertainty related to going concern assumption', described above, we decided that there were no other key audit matters to be communicated in our report.

Information other than the financial statements and the auditor's report thereon

Management is responsible for other information. The other information consists of the report on the activity and corporate governance statement both prepared by management in accordance with the Accounting Act and other applicable legal requirements, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not extend to the other information and we do not express any form of assurance conclusion on it, except as expressly stated in our report and to the extent stated. In connection with our audit of the financial statements, our responsibility is to read the other information and, in so doing, consider whether that other information is materially inconsistent with the financial statements or with our knowledge obtained during the audit, or otherwise appears to contain a material misstatement. In the event that, based on the work we have performed, we conclude that there is material misreporting in this other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section of this report, we were unable to obtain sufficient and appropriate audit evidence on the matters referred to in that section. Accordingly, we are unable to reach a conclusion as to whether the other information contains any material misreporting with respect to these matters.

Responsibility of management and those charged with overall governance for the financial report

Management is responsible for the preparation and fair presentation of this financial report in accordance with IFRS accounting standards, adopted by the EU and the Bulgarian legislation, as well as for such internal control system as management determines is necessary to ensure the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for evaluating the Company's ability to continue as a going concern, disclosing, where applicable, matters related to the going concern assumption and using the going concern basis of accounting , unless management intends to liquidate the Company or cease its operations, or unless management has no practical alternative but to do so.

The persons charged with general management are responsible for overseeing the financial reporting process of the Company.

Auditors' responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our audit opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit performed in accordance with the ISAs and the Independent Financial Auditing and Expression of Certainty on Sustainability Act will always detect a material misstatement when one exists. Misstatements may result from fraud or error and are considered material if they could reasonably be expected, individually or in the aggregate, to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with the ISA, we use professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures to address those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement that results from fraud is higher than the risk of a material misstatement that results from error because fraud can include collusion, forgery, deliberate omissions, statements intended to mislead the auditor, and disregard or circumvention of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if those disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to operate as a going concern;
- assess the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that achieves fair presentation.

We communicate to those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including material weaknesses in internal control, that we identify during our audit.

We also provide those charged with general governance with a statement that we have complied with applicable ethical requirements in relation to independence and that we will communicate with them all relationships and other matters that could reasonably be regarded as relevant to our independence and, where applicable, related safeguards.

Among the matters communicated to those charged with general management, we identify those matters that were of greatest significance in the audit of the current period financial statements and that are therefore key audit matters. We describe these matters in our auditor's report, except in cases where law or regulation prevents public disclosure of information about that matter or where, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of that communication.

We are jointly and severally responsible for the performance of our audit and for the audit opinion expressed in accordance with the requirements of the Independent Financial Auditing and Expression of Certainty on Sustainability Act as applicable in Bulgaria. In undertaking and performing the joint audit engagement in relation to which we report, we have also been guided by the Joint Audit Guidelines issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public Oversight of Registered Auditors in Bulgaria.

Report in relation to other legal and regulatory requirements

In addition to our responsibilities and reporting under the IAS described above in the section ‘Other information other than the financial statements and the auditor’s report thereon’ with respect to the activity report and the corporate governance statement, we have also performed the procedures added to those required by the IAS, according to the Guidelines of the professional organization of certified expert accountants and registered auditors in Bulgaria — Institute of Certified Public Accountants (IDES). These procedures involve verifying the existence, as well as reviewing the form and content, of such other information in order to assist us in forming opinions as to whether the other information includes the disclosures and reports required by Chapter Seven of the Accounting Act, applicable in Bulgaria.

Opinion in relation to Article 37, paragraph 6 of the Accounting Act

Based on the procedures performed, it is our opinion that:

(a) the information included in the activity report for the financial year, for which the financial statements have been prepared is consistent with the financial statement, on which we have expressed a qualified opinion in the Report on the audit of the financial statements above;

(b) the activity report has been prepared in accordance with applicable legal requirements;

(c) the corporate governance statement for the financial year presents the information required by the relevant regulations, including the information referred to in Article 100(n), Paragraph 7, item 1 of the Public Offering of Securities Act;

(d) as a result of our acquired knowledge and understanding of the business of the Company and the environment in which it operates, we have not identified any instances of material misstatement in the activity report, except for the possible effect of the matters described in the section headed Information Other than the Financial Statements and the Auditor's Report Thereon in the Report on the Audit of the Financial Statements;

Reporting in relation to Article 59 of the Independent Financial Auditing and Expression of Certainty on Sustainability Act and in accordance with Article 10 of Regulation (EU) No 537/2014

In accordance with the requirements of the Independent Financial Auditing and Expression of Certainty on Sustainability Act, and in relation to Article 10 of Regulation (EU) No 537/2014, we also report the additional information set out below:

- Grant Thornton Ltd. and Zaharinova Nexia Ltd. as participants in the joint venture DZZD ODIT BEH have been appointed as statutory auditors of the financial statements of Bulgargaz EAD for the year ending on 31 December 2025 by the sole shareholder on 29 February 2024 for a period of three years (2024—2026).
- The audit of the Company's financial statements for the year ended on 31 December 2025 represents the fifth year in a row of a continuing engagement for a statutory audit of this entity performed by each of the joint auditors, Grant Thornton OOD and Zaharinova Nexia EOOD.
- In support of the audit opinion, we have provided in the Key Audit Matters section a description of the most significant risks assessed, a summary of the auditors' response and significant observations in relation to those risks, where appropriate.
- We confirm that the audit opinion expressed by us is in accordance with the supplementary report presented to the audit committee of the Company as required by Article 60 of the Independent Financial Auditing and Expression of Certainty on Sustainability Act.
- We confirm that we have not provided the prohibited non-audit services specified in Article 64 of the Independent Financial Auditing and Expression of Certainty on Sustainability Act.
- We confirm that we have maintained our independence from the Company in performing the audit.
- Other than the audit, we have not provided any services to the Company during the period covered by our statutory audit.

22 June 2026
City of Sofia

Grant Thornton OOD
Audit firm No 032
Mariy Apostolov
MARIY GEORGIEV APOSTOLOV Date: 2026.06.22 16:48:39 +03'00'

Manager
Emiliya Marinova
EMILIYA GEORGIEVA MARINOVA-LALEVA Date: 2026.06.22 16:44:25 +03'00'

Registered auditor responsible for the audit
address: Cherni Vrah Blvd., 1421 Sofia
address: 111 Knyaz Boris I Blvd., 9000 Varna
tel.: (+3592) 987 28 79, (+35952) 69 55 44
fax: (+3592) 980 48 24, (+35952) 69 55 33
e-mail: office@bg.gt.com
web site: www.grantthornton.bg

Zaharinova Nexia Ltd,
Audit firm No 138
Dimitrina Zaharinova
Dimitrina Dimitrova Zaharinova Digitally signed by Dimitrina Dimitrova Zaharinova Date: 2026.06.22 15:31:35 +03'00'

Manager
Stoycho Milev
Stoycho Kirilov Milev Digitally signed by Stoycho Kirilov Milev Date: 2026.06.22 15:28:26 +03'00'

Registered auditor responsible for the audit
address: 157-159 Konstantin Velichkov Blvd., 1309 Sofia
tel.: (+3592) 920 46 70
fax: (+3592) 828 06 32
e-mail: office@nexiazaharinova.com
web site: www.nexiazaharinova.com